

**THE EFFECTS OF  
FOOD STAMP CASH-OUT  
ON PARTICIPANTS  
AND FOOD RETAILERS  
IN THE  
ALABAMA ASSETS  
DEMONSTRATION**

**April 1993**

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**This research was funded, in part, through Cooperative Agreement Number  
58-3198-0-78 with the Food and Nutrition Service, U.S. Department of Agriculture.  
The opinions or conclusions expressed herein do not, however, necessarily reflect those  
of the Food and Nutrition Service, U.S. Department of Agriculture.**

## **EXECUTIVE SUMMARY**

This report describes the effects of the cash-out component of the Alabama Avenues to Self-Sufficiency through Employment and Training Services (ASSETS) Demonstration. The Alabama ASSETS Program is a comprehensive welfare reform demonstration project implemented in three counties in Alabama in 1990. As one feature of this demonstration, ASSETS provides cash grants (via check) to recipients of benefits from the Food Stamp Program. This report examines the effects of cash food benefits on participating households and on food retailers.

### **Policy Issues and Research Related to Cash-Out**

The purpose of the Food Stamp Program is to provide benefits to low-income households to help them buy food. Policymakers have long debated how to provide such benefits. Under the current system, most recipients receive benefits in the form of food stamp coupons. Purchases with food stamp coupons can be legally made only for food and only at authorized food retail stores.

An alternative to the coupon-based approach is to provide food benefits in cash. Supporters of cash-out argue that the coupon system is costly, both in terms of the administrative costs of issuing and redeeming coupons, and in the burden it places on recipients. They note that the current coupon system limits the choices of recipients and stigmatizes those who participate.

Some critics of cash-out maintain that diversion of food benefits to non-food uses is more likely with cash-out, and could undermine the key purpose of the Food Stamp Program. Others argue that food stamp coupons help recipients protect their food money from competing demands.

The ASSETS demonstration is one in a series of demonstrations involving cash-out that have been recently undertaken by FNS. In two demonstrations in Alabama and San Diego, cash-out is the only program change being tested; these two demonstrations are sometimes referred to as the "pure" cash-out demonstrations. In both sites, a portion of the caseload was selected randomly to receive food benefits issued by check while the remaining households continued to

receive food stamp coupons. The Family Independence Project (FIP) demonstration in Washington State, like ASSETS, implements cash-out as one component of a welfare reform demonstration.

### **The ASSETS Demonstration and Evaluation**

The ASSETS Program represents a major restructuring of the administration of the Food Stamp and Aid to Families with Dependent Children (AFDC) Programs. The ASSETS demonstration project was designed by the Alabama Department of Human Resources (DHR). It has been approved to operate in three counties for approximately four years. The ASSETS Program implements four key policy and programmatic innovations:

- 1) ASSETS consolidates two separately administered income assistance programs -- the Food Stamp Program and the AFDC Program -- by standardizing and simplifying some eligibility requirements and definitions and by providing a single cash grant for both programs.<sup>1</sup>
- 2) ASSETS broadens the requirement among recipients to participate in an employment and training (E&T) program.
- 3) ASSETS extends the requirement to cooperate with efforts to establish court-ordered support obligations.
- 4) ASSETS introduces a case management system with a single worker responsible for administering all income assistance programs and for providing access to employment and training services for recipient households.

The overall research design for the evaluation of the ASSETS Program is a quasi-experimental approach in which each of three ASSETS (treatment) counties is matched with a similar comparison county not operating an ASSETS program. The ASSETS counties are Limestone, Clarke and Madison, and their respective comparison counties are Chilton, Butler and Tuscaloosa.

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<sup>1</sup>The ASSETS case manager initially also was responsible for determining eligibility for the Low-Income Home Energy Assistance Program (LIHEAP) and for special types of Medicaid cases whose eligibility is based on income standards unrelated to the AFDC program. As a result of policy changes, eligibility for these programs is no longer determined by ASSETS case managers.

## **Research Design and Data Sources**

This report describes the effects of cash-out in the ASSETS demonstration on participating households and food retailers.

**The Effects of Cash-Out on Households.** The main objectives of the analysis of the impacts of cash-out on households are to estimate the effects on recipients' expenditures on food, their other expenditures, their food shopping patterns, and their perceptions of the adequacy of their household's food supply. The study also describes recipients' opinions and preferences concerning cash-out and coupons.

The research design for the analysis of effects on households is based on the matched treatment/comparison design for the overall evaluation. Outcomes are compared for a sample of ASSETS participants and a sample of food stamp households from the comparison counties. Over 1,300 households were randomly sampled and interviewed in-person in the ASSETS and comparison counties.

Two main techniques were employed in analyzing household expenditures: difference-in-means tests and regression analysis. The regression models included household characteristics that may affect expenditures, such as household size and income, other demographic characteristics, and indicator variables for whether the household receives AFDC benefits, lives in public housing, includes elderly persons, and includes children. The regression analysis and difference-in-means analysis of household expenditures found similar results.

**Effects of Cash-out on Food Retailers.** The analysis of the effects of cash-out on food retailers investigates retailers' perceptions of the impact of cash-out on their store operations, sales, and profits. Retailers were asked to report the change due to cash-out in time spent on coupon- and check-related activities, and on total staff hours, food sales, total sales, and profits.

Telephone interviews were conducted with a sample of 152 food retailers in the three ASSETS counties. Because of the large percentage of food stamp coupons redeemed by supermarkets, all supermarkets in the three ASSETS counties were included in the sample. The sample of smaller stores was weighted by food stamp redemptions so that stores that redeemed more coupons prior to cash-out had a greater probability of being sampled.



## KEY FINDINGS

**Total food expenditures, adjusted for household size and composition, were about 18 percent lower for the ASSETS households than for comparison households.**

Households in the ASSETS counties report spending \$176.67 per month on food, compared to \$231.14 reported by comparison households. ASSETS households spent \$22.68 on food eaten away from home, and \$153.81 on food at home. Comparison households also spent most of their food budget on food at home: they spent \$20.63 on food away from home, and \$210.25 on food at home.

When we adjust for household size and composition by computing household size in terms of adult male equivalents<sup>2</sup>, ASSETS households spent \$103.44 per AME compared to \$126.86 per AME in the comparison group. This 18 percent difference is statistically significant at the 1 percent level.

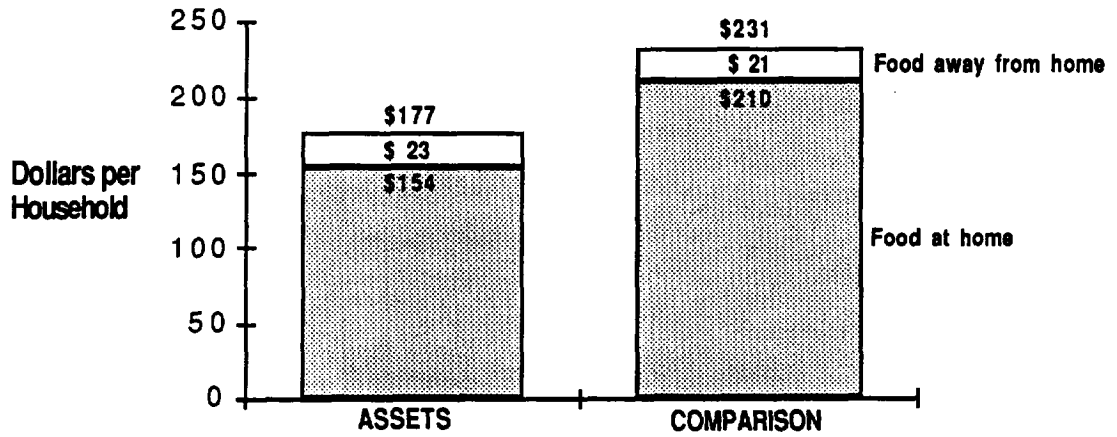
Although food expenditures differ considerably between the ASSETS and comparison households, we cannot necessarily assume that the entire difference is a result of cash-out. There is some evidence that food expenditures may have been lower in the ASSETS counties than in the comparison counties prior to cash-out. On the other hand, some of the difference in food expenditures probably is due to cash-out. In other words, ASSETS participants decreased their food expenditures as a result of cash-out, though the actual decrease may be somewhat less than the 18 percent difference in food expenditures observed between the two groups.

There is concern that households in the lower end of the distribution of food expenditures (that is, households that spend less than average on food) may be at greater risk nutritionally than those who spend more per person. Consequently, we compared food expenditures for ASSETS and comparison households in the top and bottom quartiles of food spending. The results suggest that, in percentage terms, the ASSETS-comparison difference in spending on food is greater at the lower end of the distribution. ASSETS households in the lowest quartile of

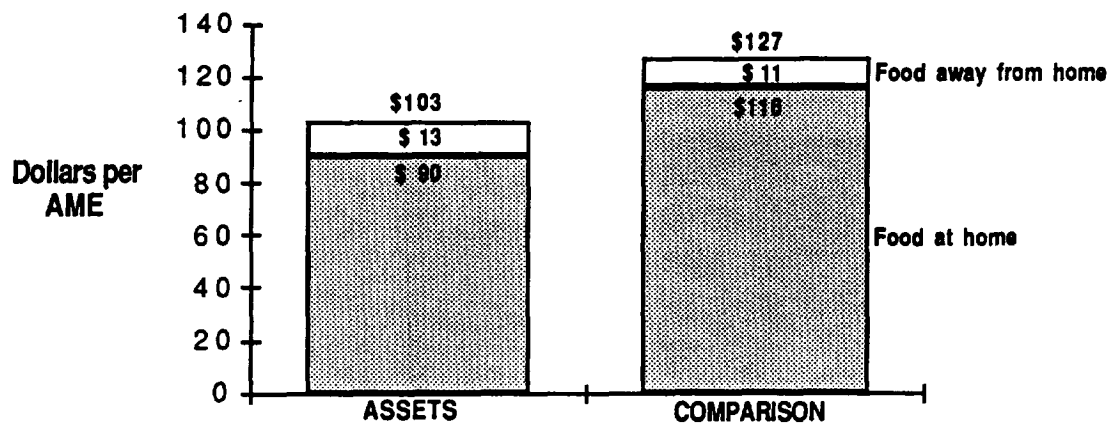
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<sup>2</sup>The adult male equivalent (AME) method assigns a weight to each household member that represents his or her theoretical requirement for calories relative to that of an adult male. The AME weights are based on the national Recommended Dietary Allowance (RDA) tables.

### MONTHLY FOOD EXPENDITURES



### MONTHLY FOOD EXPENDITURES PER ADULT MALE EQUIVALENT



total food expenditures per AME spent about 30 percent less on food than their counterparts in the comparison counties, while those in the top quartile spent about 15 percent less.

**ASSETS households spent about 4 percent more of their food budgets on food away from home, yet both groups ate about the same number of meals (less than 3) away from home each week and spent about the same amount for them.**

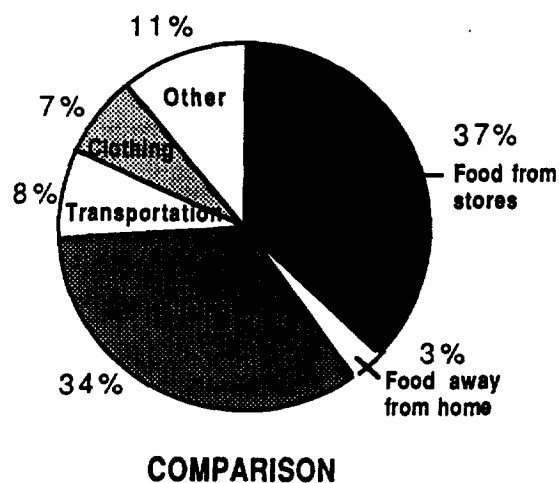
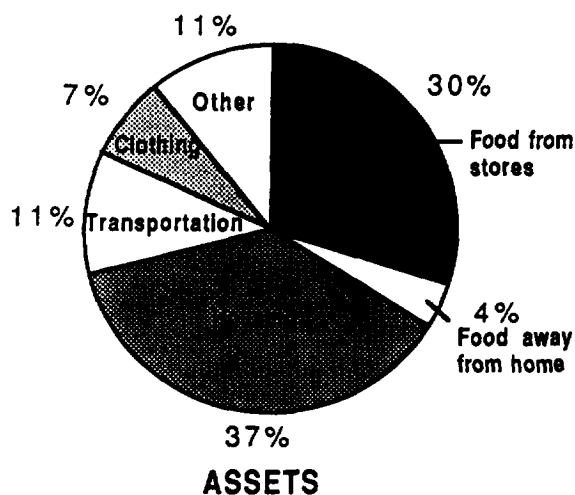
One hypothesis about the effects of cash-out is that recipients may shift some of their food purchases to buy more meals in restaurants or more take-out meals, which generally cannot be purchased with food stamp coupons. In fact, both groups spent the vast majority of their food budgets on food eaten at home, though the ASSETS households spent a somewhat larger share on food away from home than did comparison households. ASSETS households spent about 11 percent of their food budgets for food away from home, while comparison households spent about 7 percent.

ASSETS households did not, on average, spend significantly more on food away from home or eat out more than comparison households. Households in both groups reported spending just over \$20 per month on food away from home. They ate about 3 meals away from home per week on average, which represents about 14 percent of all meals. While expenditures on food away from home were similar for both groups, these expenditures represent a larger share of ASSETS households' total food budgets because their expenditures for food at home were lower than those of the comparison households.

**Total expenditures per household were similar for ASSETS and comparison households. ASSETS households, on average, spent more on shelter and transportation than do comparison households.**

Despite the difference in food expenditures, total monthly expenditures were very similar for both groups. ASSETS households reported spending \$648.91 monthly compared to \$663.24 for comparison households. When broken down by budget category, we find important differences between the two groups in only two non-food budget categories: shelter and transportation. Mean monthly expenditures on shelter for ASSETS households were \$239.71 compared to \$219.24 for comparison households, a 9 percent difference. The difference in transportation expenditures was even larger. ASSETS households spent \$84.22 on transportation, 39 percent more than comparison households. ASSETS households also spent larger fractions of their total budget on these non-food items than did comparison households.

## EXPENDITURE SHARES



Although food expenditures are lower for ASSETS households, about 80 percent of households in both groups report having enough to eat, if not always the types of foods they would prefer.

While food expenditures are significantly lower in the ASSETS counties than in the comparison counties, this fact does not support inferences about the adequacy of recipients' food supply or nutrient availability because the study design did not include a survey to measure food use. The evidence available suggests, however, that participants' perceptions of food adequacy are similar for ASSETS and comparison households. In both groups, about 80 percent of households report having enough to eat, though not always the types of food they would prefer. Both groups report using other sources of food assistance, such as the WIC Program or surplus commodities, at similar rates. Finally, in both groups about 5 to 6 percent of households report that they ran out of food and money or benefits to buy food in the month before the interview. Thus, this evidence suggests that cash-out has not increased the number of households who perceive their food supply to be inadequate.

Although the ASSETS and comparison households report similar levels of food sufficiency, significantly more ASSETS households report skipping meals because of shortages of food and money. On average, ASSETS households report that household members skipped meals on 0.9 days in the month before the interview, whereas comparison households reported skipping meals on an average of 0.3 days, and the difference is statistically significant at the 1-percent level.

**There is no evidence of large or widespread increases in food prices or rents related to cash-out. ASSETS participants do pay significantly more in rent than comparison households, but it appears that much of the rent differential existed before cash-out was implemented.**

One concern about cash-out is that because the switch to cash food benefits would result in a greater availability of cash in the low-income community, some landlords or retailers might take advantage by raising prices or rents. The survey does not find evidence of such a "community effect" of cash-out. Approximately the same proportion of households in both the ASSETS and comparison counties report price and rent increases over the past year.

ASSETS households that rent spend about 50 percent more on rent than comparison households that rent. Most of the rent differential between ASSETS and comparison households is a difference in the cost-of-living between counties and apparently existed before cash-out.

**Nearly 60 percent of ASSETS participants prefer checks to food stamp coupons, and only about 15 percent prefer coupons.**

A majority of ASSETS participants prefer checks, because checks can be used for necessities other than food and because of the greater convenience of checks compared to food stamp coupons. About 15 percent of ASSETS participants prefer coupons because coupons must be spent on food and because they feel they receive more benefits with coupons. Those who prefer coupons feel that coupons help in budgeting and planning food expenses. Participants who prefer checks are less likely to agree that coupons are more helpful in budgeting.

**Most food retailers in the ASSETS counties do not view cash-out favorably. Managers of supermarkets in particular overwhelmingly prefer food stamp coupons to checks.**

Nearly 90 percent of supermarket managers prefer food stamp coupons over checks, mainly because of the restrictions on food stamp coupon purchases and because they believe that their sales are lower because of cash-out. Managers of smaller stores are more divided in their preferences: about 40 percent prefer food stamp coupons and 20 percent prefer checks (the remaining 40 percent have no preference). Those who prefer checks generally cite the greater convenience of checks as the reason; they note that handling, reconciliation and checkout are easier than with food stamp coupons.

**Food retailers report that total store sales, food sales, and profits have decreased as a result of cash-out.**

Most food retailers report a decrease in "food stamp" sales and an increase in "non-food stamp" sales (sales of non-food items and of food items that cannot be purchased with food stamp coupons). The net impact reported by most retailers is a decrease in total sales -- 44 percent of retailers, representing 89 percent of food stamp redemptions prior to cash-out, report a decrease in total sales due to cash-out.

Most retailers also report a decrease in store profits resulting from cash-out. Managers of supermarkets overwhelmingly report that cash-out has had a negative impact on store profits. Managers of 78 percent of supermarkets, representing 93 percent of pre-cash-out redemptions, report a decrease in profits due to cash-out. Fewer of the smaller stores report a decrease in profits, about 38 percent. Just over half of all small stores report no change in profits due to cash-out.

While most retailers perceive that cash-out has led to a decrease in their sales, we did not collect or analyze quantitative sales data from retailers before and after cash-out. The impacts on food sales of other changes occurring at the same time as cash-out, such as a recession or a new store opening, may be difficult for retailers to separate from the impacts of cash-out. In addition, food stamp recipients are less readily identifiable after cash-out than when they use coupons, and so retailers may perceive a lower level of food sales to food benefit recipients because they can no longer identify all recipients.

**The effect of cash-out on household food expenditures was larger in the ASSETS demonstration than in two other major studies.**

Two recent studies have investigated the effects of cash-out in demonstrations in San Diego and Alabama where cash-out was the only program change being tested. The San Diego study found that check households spent about 7 percent less than coupon households on food at home per adult male equivalent (AME).<sup>3</sup> The Alabama study found no significant difference between check and coupon households in the value of food used at home.<sup>4</sup> These results contrast with the nearly 20 percent difference in food expenditures observed between ASSETS and comparison households.

The range of findings may be explained by a combination of three factors. First, differences across counties in factors such as rent levels may account for some of the ASSETS-comparison difference in food expenditures. As a result, the ASSETS-comparison difference in food expenditures may overestimate the true cash-out effect. Second, differences in implementation across the demonstrations may have affected recipients' behavior. In particular, the Alabama pure cash-out demonstration was small, limited in time, and emphasized that the checks were to be spent on food. For these reasons it is plausible that recipients' behavior changed less under pure cash-out in Alabama than in the ASSETS demonstration.

Third, the effect of cash-out is likely to depend on the proportion of households who are "constrained" by the coupon system. A household is defined as constrained under the coupon system if its food expenditures are less than or equal to its coupon benefit amount.<sup>5</sup> In such a case the household might prefer to increase its non-food consumption, but it is constrained to spend the coupons on food. Under cash-out, such a household is likely to spend some of its

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<sup>3</sup>James C. Ohls, et al., The Effects of Cash-Out on Food Use by Food Stamp Participants in San Diego, Mathematica Policy Research, Inc., December 1992, pp.48.

<sup>4</sup>Thomas M. Fraker, et al., The Evaluation of the Alabama Food Stamp Cash-Out Demonstration, Vol. I, Mathematica Policy Research, Inc., September 1992, pp.64.

<sup>5</sup>We used reported food expenditures as a proxy for a measure of constraint because it was the best available measure. Participants have been shown to underreport their food expenditures, however, which suggests that some households that appear to be constrained may, in fact, spend more on food than they receive in food stamp benefits. (Thomas M. Fraker, et al., September 1992).

cash food benefits on non-food items. In contrast, if a household's food expenditures exceed its food benefit amount, it is not constrained in the sense that it could shift spending to non-food items and away from food even under the coupon system. Unconstrained households are presumed to be less likely than constrained households to shift their food expenditure patterns under cash-out. The proportion of coupon households in Alabama who are constrained is much higher than in San Diego, which may explain (in part) why the cash-out impact was much larger in ASSETS than in San Diego.<sup>6</sup> However, the evaluation of the pure cash-out demonstration in Alabama did not find a significant difference between check and coupon households in the value of food used at home, despite the sizeable fraction of households that appeared to be





## **ACKNOWLEDGMENTS**

The authors would like to express their appreciation to the many individuals who have contributed to this study. Kilolo Bingham, the FNS Project Officer, has provided valuable guidance throughout the course of this project. We also wish to thank Fumiyo Tao for her important contributions as initial project officer. Many other reviewers at FNS have provided thoughtful comments and suggestions.

A number of individuals at the Alabama Department of Human Resources (DHR) have also helped with this project. Special thanks go to Judy Bernier and Neal Allen for their assistance. We also thank the DHR staff members who attended a meeting on the preliminary results and provided very useful feedback and insights into client behavior. Staff at the local DHR offices in the six counties kindly assisted our interviewers in locating clients.

We would also like to thank several individuals at Mathematica Policy Research for their assistance. Tom Fraker participated in several discussions on the instrument design and the findings of the different cash-out studies. Anne Ciemnecki and Jim Ohls provided us assistance with the survey instrument and training materials which we adapted for this study.

The data collection effort was very competently led and managed by Kymn Kochanek in the Abt Chicago office. She was ably assisted by Senior Field Manager Jane Belcore, and Field Managers Lynn MacKenzie and Diane Lindquist. We also wish to thank the recipients who took the time to participate in the interview.

Finally, a number of individuals at Abt Associates helped prepare this report. Emily Corneliussen, Lyria Boast, Elsie Pan, and Robert Burnham provided analysis support. William Hamilton served as technical reviewer for the project and provided many useful suggestions and comments. And special thanks to Eileen Fahey, who produced the report and its many exhibits carefully and quickly.



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## **CHAPTER ONE**

### **INTRODUCTION**

This report describes the effects of the cash-out component of the Alabama Avenues to Self-Sufficiency through Employment and Training Services (ASSETS) Demonstration. The Alabama ASSETS Program is a comprehensive welfare reform demonstration project implemented in three counties in Alabama in 1990. As one feature of this demonstration, ASSETS provides cash grants (via check) to recipients of benefits from the Food Stamp Program. In this report we examine the effects of cash food benefits both on participating households and on food retailers.

This chapter presents background material on policy issues and research related to cash-out. Section 1.1 first presents the key research questions and policy issues concerning cash-out of benefits in the Food Stamp Program. Section 1.2 places this report in the context of other research on cash-out undertaken by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA). Section 1.3 describes the ASSETS demonstration and evaluation in greater detail. Section 1.4 provides an outline of the remainder of the report.

#### **1.1 KEY POLICY QUESTIONS**

The purpose of the Food Stamp Program is to provide benefits to low-income households to help them buy food. Policymakers have long debated how to provide such benefits. Under the current system, most recipients receive benefits in the form of food stamp coupons.<sup>1</sup> Purchases with food stamp coupons can be legally made only for food at authorized food retail stores.

An alternative to the coupon-based approach is to provide food benefits in cash. Supporters of cash-out argue that the coupon system is costly, both in terms of the administrative costs of issuing and redeeming coupons, and in the burden it places on recipients. They note

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<sup>1</sup>In a small number of sites, recipients use electronic benefit transfer (EBT) systems to access their Food Stamp Program benefits. These systems use devices such as magnetic-stripe cards to issue benefits to recipients. Also, some SSI households receive their food stamp benefits in cash.



that the current coupon system limits the choices of recipients and stigmatizes those who participate.

Some critics of cash-out maintain that diversion of food benefits to non-food uses is more likely with cash-out, and could undermine the key purpose of the Food Stamp Program. Others argue that food stamp coupons help recipients protect their food money from competing demands.

The Food and Nutrition Service (FNS) has undertaken a series of demonstrations and evaluations to address eight key questions concerning cash-out:

1. What is the effect of cash-out on food use at home? In particular, does cash-out affect the food use or nutrient availability of participating households?
2. What is the effect of cash-out on household food expenditures? Households may choose to spend their cashed-out food benefits differently than coupons; for example, they may spend more on food away from home or at different types of stores.
3. What is the effect of cash-out on major non-food budget categories? Households may spend some of their cashed-out food benefits on non-food items such as housing or medical expenses.
4. What are the opinions of participants about coupons and cash food benefits? Do recipients prefer coupons or cash benefits? Do they perceive any advantages in terms of budgeting with coupons?
5. What is the impact of cash-out on program administrative costs? By eliminating food stamp coupons, cash-out may reduce the costs of administering the Food Stamp Program. Costs for issuing, storing, and redeeming coupons would be eliminated (for those cases participating in cash-out).
6. What problems, if any, are associated with cash-out? For example, do recipients pay high check-cashing fees or have trouble cashing their food benefit checks?
7. What are the effects of cash-out on participation in the Food Stamp Program? Cash-out may have a positive impact on participation if eligible households that choose not to receive coupons (possibly because of costs associated with obtaining the coupons, or the stigma of using coupons) decide to participate under cash-out.

8. What are the effects of cash-out on food retailers? Cash-out is likely to reduce retailers' costs associated with handling and reconciling food stamp coupons. However, if households shift their food expenditures or shopping locations, food retailers might lose sales.

In this report on the effects of cash-out in the ASSETS demonstration, we address a subset of the above research questions (2-4, 6 and 8). Data were not collected on food use, so that question 1 on the effects on household food use cannot be addressed. The effects of cash-out on administrative costs and on program participation are not evaluated in the ASSETS demonstration because of possible confounding impacts from other program changes made in the ASSETS Program. The research questions not included in this study are addressed in other cash-out evaluations, notably, the San Diego Food Stamp Cash-Out Demonstration and the Alabama Food Stamp Cash-Out Demonstration, which are discussed below.<sup>1</sup>

## 1.2 RESEARCH ON FOOD STAMP CASH-OUT

The ASSETS demonstration is one in a series of demonstrations involving cash-out recently undertaken by FNS to increase policymakers' knowledge about the impacts of cash-out. In two of these demonstrations, cash-out is the only program change being tested: these two demonstrations are sometimes referred to as the "pure" cash-out demonstrations.

- **San Diego Food Stamp Cash-Out Demonstration.** In San Diego County, 20 percent of the food stamp caseload was converted to cash food benefits in July 1989 and the remainder of the caseload was converted in September 1990.
- **Alabama Food Stamp Cash-Out Demonstration.** About 4 percent of the food stamp caseload in 12 counties were cashed out from May through December 1990, after which time the participating households were converted back to food stamp coupons.

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<sup>1</sup>James C. Ohls, et al., The Effects of Cash-out on Food Use by Food Stamp Program Participants in San Diego, Princeton, New Jersey: Mathematica Policy Research, Inc., 1992, and Thomas M. Fraker, et al., The Evaluation of the Alabama Food Stamp Cash-Out Demonstration, Washington, D.C.: Mathematica Policy Research, Inc., 1992.

The other two cash-out demonstrations include cash-out in welfare reform demonstrations involving more extensive program changes:

- **Washington State Family Independence Program (FIP).** Certain recipients of Aid to Families with Dependent Children receive their food stamp benefits in the form of a check. The FIP Program, which entails other program and policy changes, was implemented in July 1988.
- **Alabama ASSETS Demonstration.** The ASSETS Program is a comprehensive welfare reform demonstration project implemented in 3 counties in 1990. In addition to consolidation and simplification of certain rules and administration, recipients of Food Stamp Program benefits receive their benefits in the form of a check instead of food stamp coupons.

The findings from all four of these demonstrations offer a solid base of knowledge about the effects of cash-out in a variety of settings. The "pure" cash-out demonstrations will in some respects provide the clearest information about cash-out's impacts on households. These demonstrations examine the impacts of cash-out without the possible confounding effects of other program changes. In addition, the two "pure" cash-out demonstrations utilize an experimental or random assignment research design. Because households were randomly assigned to receive check or coupon benefits, any differences between the two groups can be attributed to cash-out.<sup>1</sup> These studies also measure the impact of cash-out on food use and nutrient availability as well as food expenditures.

The evaluation of the cash-out component of the ASSETS Program will complement these other cash-out evaluations in a number of ways. In ASSETS, cash-out was implemented countywide, so that its impacts may be more representative of the effects of cash-out in a full-scale implementation. It is possible that recipient reactions to cash-out may be more "normal" when all recipients in the area receive their benefits by this means. Moreover, the ASSETS demonstration provides an opportunity to examine the impacts of cash-out on food retailers,

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<sup>1</sup>In contrast, the evaluation of the ASSETS demonstration relies on a quasi-experimental design, in which one county in each of three matched pairs of counties was randomly selected to implement ASSETS. Differences between the check and coupon households due to cash-out may be difficult to separate from differences between the counties unrelated to cash-out. We discuss these issues in greater detail in Chapter Two.

which can best be evaluated when the entire caseload is converted to cash-out rather than just a portion of the caseload.<sup>1</sup> Finally, simply by providing another data point the ASSETS demonstration enhances comparison of results across demonstrations, which should provide greater insight into the factors that may influence the impact of cash-out (such as household characteristics, urban or non-urban environment, and receiving a combined check with AFDC benefits or separate checks).

### **1.3 THE ASSETS DEMONSTRATION AND EVALUATION**

The ASSETS Program represents a major restructuring of the administration of the Food Stamp and Aid to Families with Dependent Children (AFDC) Programs. The ASSETS demonstration project was designed by the Alabama Department of Human Resources (DHR). It has been approved to operate in three counties for approximately four years. The basic evaluation design is a quasi-experimental approach in which each of three ASSETS (treatment) counties is matched with a similar comparison county not operating an ASSETS program.

The four key policy and programmatic innovations of the ASSETS Program are described below.

- 1) ASSETS consolidates two separately administered income assistance programs -- the Food Stamp Program and the AFDC Program -- by standardizing and simplifying some eligibility requirements and definitions and by providing a single cash grant for both programs.

In ASSETS, these two programs (Food Stamps and AFDC) are consolidated into a single administrative mechanism within the DHR. Households or families applying for aid from either or both of the assistance programs must report to the same office and are served by the same group of workers. Because the programs are operated by a single administrative mechanism, application for both may occur at the same time. ASSETS also introduced a new automated eligibility system (the Family Assistance Comprehensive Employment and Training System -- FACETS). Workers can perform eligibility reviews on-line with the applicant present by means of an interactive automated application interview.

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<sup>1</sup>The impacts of cash-out on food retailers are also being evaluated in San Diego, where the entire caseload was cashed out after the initial study period.

In addition to the innovations in program administration, the ASSETS Program provides assistance from the Food Stamp Program as cash (in the form of a check), rather than as food stamp coupons. For families receiving assistance from both AFDC (called ASSETS/AFDC in ASSETS) and the Food Stamp Program (called ASSETS/NA -- Nutrition Assistance -- in ASSETS), benefits from the two programs are combined in one check. The contribution of each assistance program is indicated on the check stub. If a family's total monthly ASSETS benefit exceeds \$200, they receive two checks per month (each for half of the total monthly benefits).

The ASSETS Program also standardizes and simplifies a number of program definitions and regulations, including the definition and treatment of household income, allowable deductions from household income, and other household financial resources. ASSETS also broadens AFDC eligibility for intact two-parent families with children (AFDC-UP). In non-ASSETS counties, AFDC-UP eligibility is based on a variety of factors, including the work history of the "principal earner" in the family. In ASSETS counties, there is no requirement regarding work history.

- 2) ASSETS broadens the requirement among recipients to participate in an employment and training (E&T) program.

Typically, able-bodied adults in food stamp households and AFDC families are required to participate in education, employment and training services intended to increase their employability and chances for financial self-sufficiency. In the ASSETS and non-ASSETS counties alike, the requirements facing AFDC households are similar: subject to the availability of relevant E&T and supportive services (child care, transportation assistance, etc.), adults in single-parent families with no children under age 3, principal earners in two-parent AFDC families, and AFDC caretakers age 16 to 18 without a high-school diploma or GED are required to participate in an E&T program. Nationally, this is known as the JOBS (Job Opportunities and Basic Skills) Program.

In the ASSETS counties, food stamp-only households must meet E&T requirements similar to those for JOBS. Food stamp-only households in two of the three non-ASSETS counties, however, are not subject to E&T participation requirements. (In the third non-ASSETS county, Tuscaloosa, E&T requirements for food stamp-only households have been implemented under JOBS.)

- 3) ASSETS extends the requirement to cooperate with efforts to establish court-ordered support obligations.

In the AFDC Program, single parents qualifying for assistance because of the deprivation of adequate support for their children due to the absence of the other parent (usually the father or fathers of the children in the family) must cooperate with efforts to establish paternity (if unmarried), to locate the absent parent, and to establish court-ordered support obligations. ASSETS families receiving AFDC benefits are subject to the same requirement regarding child support enforcement as AFDC families elsewhere. However, unlike families elsewhere that receive only food stamp benefits, NA-only ASSETS families with children that have a parent living elsewhere are also subject to the requirement to cooperate with child support enforcement efforts. The monies collected against current support obligations for these families are not used as an offset to the ASSETS/NA benefit, but are given directly to the custodial parent. The monies collected are treated as unearned income to the ASSETS household and the ASSETS grant is reduced accordingly (the first \$50 collected is still, however, disregarded when determining the ASSETS grant, as is the case for AFDC benefits).

- 4) ASSETS introduces a case management system with a single worker responsible for administering all income assistance programs and for providing access to employment and training services for recipient households.

An important policy innovation in ASSETS is the introduction of a "generic" case manager responsible for all relevant aspects of assistance to a given household. The use of generic case managers in ASSETS allows for "one-stop service" for low-income households potentially eligible for a variety of programs.<sup>1</sup> The case management approach allows one worker to become familiar with all aspects of a particular household's needs.

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<sup>1</sup>The ASSETS case manager initially was responsible for determining eligibility for the Low-Income Home Energy Assistance Program (LIHEAP) as well as for the Food Stamp and AFDC

The ASSETS case manager is also responsible for administering the employment and training component, known in ASSETS as "WATS" (Work and Training Services). In particular, the case manager must determine whether any or all of the adults in the ASSETS household must participate in WATS; assess the education, training and supportive services needs of the participating adults; refer them to appropriate services; and monitor their progress.

### **Implementation of the ASSETS Program**

The key components of the ASSETS Program were implemented in stages in each of the three treatment counties. The schedule of implementation for the ASSETS counties was different in each ASSETS county, though the pattern was the same. As shown in Exhibit 1.1, program startup began in each county with the conversion of all food stamp households to cash grants. Next, two months after cash-out, AFDC and food stamp recipients were gradually converted to the consolidated and simplified eligibility rules under ASSETS. The ASSETS eligibility rules and grant amounts were first applied to all newly certified households, and were applied to ongoing cases when they were recertified or if a household had an interim change prior to its next recertification.

In addition to the new consolidated eligibility rules, the child support enforcement requirement for appropriate food stamp households and the work and training services (WATS) were also phased in during program startup. The implementation of these two components was complicated by delays in the automated systems governing the administration of those requirements. By June 1, 1991, the automated assessment and referral system for WATS was in operation in all three ASSETS counties and ASSETS case managers began scheduling clients for WATS assessments.<sup>1</sup>

The phased implementation of the ASSETS Program should not affect the analysis of the effects of cash-out on participating households and food retailers. The survey of households was conducted between August and November, 1991, at least 8 months and as many as 13 months after cash-out was implemented in each county. The survey of food retailers was conducted in

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<sup>1</sup>It should be noted that although the automated subsystem for WATS was in place by June, 1991, ASSETS case managers did not necessarily begin to schedule WATS assessments for all relevant clients. The actual rate at which work and training services were implemented at the service delivery level is an empirical question for the Implementation and Process Study.

**Exhibit 1.1**

**IMPLEMENTATION SCHEDULE OF THE ASSETS PROGRAM**

	<b>Limestone County</b>	<b>Clarke County</b>	<b>Madison County</b>
Food stamp cash-out	May 1, 1990	September 1, 1990	November 1, 1990
Child support enforcement for food stamp households <sup>a</sup>	July 1, 1990	November 1, 1990	January 1, 1991
ASSETS eligibility policy <sup>a</sup>	July 1, 1990	November 1, 1990	January 1, 1991
AFDC-UP <sup>b</sup>	July 1, 1990	October 1, 1990	October 1, 1990
ASSETS Work and Training Services (WATS) <sup>c</sup>	June 1, 1991	June 1, 1991	March 1, 1991 <sup>c</sup>
Household Expenditures Survey	August - November 1991	August - November 1991	August - November 1991
Food Retailer Survey	January - February 1992	January - February 1992	January - February 1992

Notes: a. New rules were applied to all newly certified households and other households at recertification or when an interim case change occurred. All cases were converted to the ASSETS Program rules by the end of September 1991.

b. AFDC - Unemployed Parent program

c. JOBS implemented in Madison County April 1990.



January 1992 in all three ASSETS counties. The other program changes made under the ASSETS Program are not likely to affect the analysis of the impacts of cash-out, so that the phased implementation does not present any difficulties for the analyses in this report.<sup>1</sup>

### **Evaluation of the ASSETS Program**

The overall evaluation of the ASSETS demonstration is based on a quasi-experimental design. All 67 counties in Alabama were divided into three strata: rural/north, rural/south-central, and urban. The counties within each stratum were compared on a number of population and caseload characteristics.<sup>2</sup> Within each stratum, the "best" or most closely matched pair of counties was selected. In each matched pair, one county was randomly chosen to implement the ASSETS Program, and the other county became its comparison site. The ASSETS counties are Limestone, Clarke and Madison; their respective comparison counties are Chilton, Butler and Tuscaloosa.

The overall evaluation of the ASSETS Program has four components: the Welfare Dependency and Household Income Study (formerly known as the Matched Comparison Study); the Food Stamp Cash-out Study; the Implementation and Process Study; and the Cost-Benefit Study. The first two evaluation components focus on measuring the impacts of ASSETS on recipients. The Implementation and Process Study is intended to document ASSETS planning, start-up, and operations, as well as to assess the feasibility of program expansion. Finally, the Cost-Benefit Study takes the results of the other impact studies and converts them into comparable cash estimates of the costs and benefits of the program to the government and to participating households.

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<sup>1</sup>If program participation increases or decreases as a result of ASSETS, changes in caseload composition may affect household food expenditures. As discussed in Chapter Two, the analysis examines the effects of cash-out on **participating** households. The analysis of the impacts of ASSETS on participation per se will be conducted as part of the Welfare Dependency and Household Income Study.

<sup>2</sup>These variables included population, adult population, number of children of school age and under age 5, employment rate, number of out-of-wedlock births, food stamp caseload, AFDC caseload, and average earnings of food stamp recipients, AFDC recipients, and of the population.

This report presents the findings of the Food Stamp Cash-Out Study and is largely separate from the other evaluation components described above. It examines the effects of cash-out on participating households and on food retailers.

#### **1.4 ORGANIZATION OF THIS REPORT**

The remainder of the report is divided into two main sections: one devoted to the analysis of the effects of cash-out on households, and the other on food retailers. In Chapter Two, we describe the research questions, discuss the data sources and analysis methods, and present the findings on the effects of cash-out on households. Chapter Three then discusses the food retailer analysis, including discussion of the research questions, methods and findings. Chapter Four summarizes the key findings of the analyses for both households and food retailers. It also provides a comparison with the findings of the "pure" cash-out demonstrations in Alabama and San Diego.



## **CHAPTER TWO**

### **THE EFFECTS OF CASH-OUT ON PARTICIPATING HOUSEHOLDS**

Because cashed-out food benefits are no longer restricted to food purchases in the same way as food stamp coupons, there is concern that food benefits might be diverted to non-food uses. A shift in spending could reflect choice on the part of recipients, or it could be caused by the competing demands for scarce resources of low-income households that make it difficult for these households to budget their food expenditures. To investigate these possibilities, we collected data on household expenditures, shopping patterns, and respondents' perceptions of the adequacy of the household's food supply.

In this chapter we first discuss the research questions concerning impacts on households. Section 2.2 then presents the research design and analysis methods, and Section 2.3 discusses the sample design. In Section 2.4 we define key measures for the analysis, and describe the characteristics of the ASSETS and comparison households in Section 2.5. We present the findings on the impacts on expenditures, shopping patterns, and price changes in Section 2.6. Section 2.7 describes recipients' opinions and preferences concerning cash-out and coupons. We present findings for selected subgroups of the population in Section 2.8. We summarize the findings in Section 2.9.

#### **2.1 KEY RESEARCH QUESTIONS**

This chapter investigates the effects on participating households of providing food benefits in cash (via check) instead of using food stamp coupons. The research questions addressed by this study may be divided into five main areas of inquiry:

- household expenditures,
- household food shopping patterns,
- recipients' perceptions of food availability and adequacy,
- recipients' perceptions of price changes, and
- recipients' attitudes and preferences about cash-out and coupons.

**Household Expenditures.** Food stamp coupons can be used legally only to purchase food at stores that have been authorized by the Food Stamp Program. The switch from coupon-based food benefits to cash benefits (issued via check) in effect eliminates this restriction on the use of food benefits. This change raises the concern that cash-out would divert food stamp benefits to non-food purposes. A major objective of the analysis is to estimate the effect of cash-out on participants' expenditures on food and non-food items. Accordingly, the first research question for the household expenditures analysis is:

1. Do cash-out households spend more or less money on food than coupon households?

Even with no change in the level of food expenditures under cash-out, ASSETS households may choose to spend their food budgets differently. For example, they may choose to spend more at restaurants or buy more ready-to-eat meals at take-out places (which typically cannot be purchased with food stamp coupons). Thus, two more research questions for the household expenditures analysis are:

2. Do cash-out households spend more in absolute terms, or as a proportion of their total food expenditures, on food away from home?
3. Do cash-out households eat more meals away from home than coupon households?

If households change their food spending as a result of receiving benefits in the form of cash rather than coupons, we may see a shift in the level or proportion of spending on non-food items as well. Thus, the household expenditures analysis also asks:

4. Do cash-out households spend more or less money on non-food budget categories?
5. Do cash-out households spend different proportions of total expenditures on non-food budget categories than coupon households?

**Food Shopping Patterns.** Cash-out may also affect a household's food shopping patterns. Food stamp coupon purchases can only be made legally at authorized food retailers; whereas there are no similar restrictions on purchases made with cash food benefits. Cash-out

participants may shop more or less often, or at different types of stores, than coupon recipients.

The food shopping analysis asks:

6. Do cash-out households have different shopping patterns than coupon households? Do they shop at different types of stores? Do they shop more or less often?

**Perceptions of Food Availability and Adequacy.** Another possible concern about cash-out is that because benefits are no longer earmarked for food, recipients will be more likely to run short of food and money for food by the end of the month. Accordingly, the study examines two related research questions:

7. Do cash-out households rely more (or less) on food not purchased than coupon households?
8. Do cash-out households differ from coupon households in their perceptions of the adequacy of their food supply? Do cash-out households perceive a change in the adequacy of their food supply?

**Perceptions of Price Changes.** Some critics of cash-out hypothesize that the increase in cash in the low-income community due to cash-out will result in increases in food prices, rents, and other prices in those communities. They suggest that food stamp coupons to some extent "protect" recipients' food money from competing demands such as rent. To investigate these possibilities, the study asks:

9. Do cash-out households perceive an increase in rent paid?
10. Do cash-out households perceive an increase in food prices paid?

**Participants' Opinions about Cash-out and Coupons.** The analysis also examines the opinions of recipients about checks and food stamp coupons as means of benefit delivery. For this section the research questions include:

11. What do recipients perceive as the advantages and disadvantages of checks and food stamp coupons? Do they feel that budgeting food expenses is easier with coupons or checks?
12. Do recipients prefer coupons or cash-out? For what reasons?

## **2.2 RESEARCH DESIGN AND ANALYSIS METHODS**

A key objective of this analysis is to determine whether cash-out is associated with changes in the behavior of households, in particular, associated with a decrease in households' food expenditures. The research question we ideally would like to answer is how the expenditures of household  $h$  when receiving cashed-out food benefits compare with what that household's expenditures would have been when receiving coupons. In general, the preferred research design for this type of study is random assignment, i.e., an experimental design. If households are randomly assigned to treatment and control groups, any difference in outcomes (usually) can be attributed to the treatment.

A random assignment design is not feasible when the treatment is to be applied to the entire caseload. In the case of the ASSETS Program, cash-out is just one component of a welfare reform demonstration that was implemented in entire counties. As a result, the research design relies on a comparison group of households to represent what the behavior of the ASSETS households would have been in the absence of the ASSETS Program.

The research design for the household expenditures analysis is based on the matched treatment/comparison county design developed by the State of Alabama for the evaluation of the ASSETS Program. Given the matched county pairs, as described in Chapter One, the analysis compares outcomes for the households in the three ASSETS counties with those of a comparable population in the three comparison counties. The data are pooled from the six counties, rather than examining each county pair separately.

Two main techniques were employed in analyzing household expenditures: difference-in-means tests and regression analysis. The most straightforward approach for the household expenditures analysis is to compare the mean value of each outcome measure for the ASSETS households with the mean for the comparison households. Standard tests for the significance of a difference in means are presented.

It is important to note that in the absence of a random assignment or experimental design, concluding that any difference in mean outcomes is attributable to cash-out may be misleading. The comparison-of-means approach ignores differences in households in the ASSETS and comparison counties that may affect household expenditure patterns. For example, household income, employment status of the adults in the household, education of the household head, and

other factors may affect household expenditures on food or on food eaten away from home. The characteristics of households may differ between the ASSETS and comparison counties because of differences in the caseload prior to implementation of the ASSETS Program, and because of the impacts of the ASSETS Program itself on the caseload.

Multivariate regression analysis can be used to control for household characteristics that may differ between the ASSETS and comparison caseloads. The standard model we employed in the household expenditures model was of the form:

$$Y_h = b_0 + b_1 * ASSETS_h + b_2 * X_h + b_3 * RURAL_h + e_h,$$

where  $Y_h$  is the outcome measure of interest for household  $h$ ,  $ASSETS_h$  is an indicator for the ASSETS counties,  $X_h$  represents household characteristics, and  $RURAL_h$  is an indicator for the rural counties. (The last term,  $e_h$ , represents the remaining random error).

The regression models include all measured household characteristics that affect household expenditures. Explanatory variables include, for example, household income, food stamp benefit amount, household size, whether the household includes any elderly members, whether the household includes any children, whether the household receives AFDC or WIC benefits, and the education, race, and employment status of the head of household.

Although the research design for the analysis of the effects of cash-out on households under ASSETS is not based on random assignment of households, we found that the regression analysis and the comparison-of-means analysis provided essentially the same results.<sup>1</sup> We therefore discuss the comparison-of-means results in the main body of the report, and provide details on the regression analysis in Appendix C. Any important differences in the estimated impacts or significance tests between the two methods are reported in the text.

The analysis of the impact of cash-out on food shopping patterns is similar to the household expenditures analysis. We compare mean outcomes for the ASSETS and comparison households and conduct standard differences-in-means significance tests.

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<sup>1</sup>It is somewhat surprising that the regression and comparison-of-means results are so similar. It is possible that some important variables affecting food expenditures were not included in the regression models. For example, the level of rent differs between the ASSETS and comparison counties, as discussed below.



The analyses of recipients' perceptions and preferences are largely qualitative. We report frequency distributions (percentages) on the attitudinal questions and, where appropriate, test for significance of differences in proportions between the two groups.

It is important to realize that both the comparison of means and the regression analysis suffer from a key limitation: **because the two groups (ASSETS and comparison) in the study are from different counties, there may be differences between the groups that affect expenditure patterns and other outcome measures that were not measured in the analysis.** County-level factors which could affect expenditures include prices, rents, economic conditions and cultural differences. Some of these differences may have existed prior to implementation of ASSETS, and some may be related to ASSETS. In Section 2.9 we look at a number of factors that might suggest evidence of across-county differences and discuss how these factors may affect the interpretation of the results.

Another limitation of the analysis is that it measures the impact of cash-out only for those households that are receiving benefits at the time of the interview; households that exit the program or who choose not to participate are not included in the sample. To measure the overall impact of the ASSETS Program on household expenditures we would need to collect expenditures data from households that leave the ASSETS Program. It is the expenditure patterns of households while they are receiving food benefits that are of interest, so we include in the sample only households that are still on the program. The effects of ASSETS on the caseload will be examined in another evaluation report (the Welfare Dependency and Household Income Study).

### **2.3 SAMPLE DESIGN AND DATA SOURCES**

The evaluation uses a treatment/comparison design to assess the impact of cash-out on households participating in the ASSETS Program. The treatment and comparison groups are drawn from the matched county pairs chosen for the overall evaluation design. The treatment sample was drawn from households participating in the ASSETS Program, and the comparison sample was drawn from households participating in the Food Stamp Program in the three comparison counties. In the ASSETS counties, the relevant population from which to draw the sample is all households receiving Nutrition Assistance (i.e., food stamp benefits) in the

ASSETS Program. Only a very small portion of the ASSETS caseload does not receive Nutrition Assistance and these cases were excluded in order that the sample be comparable with the households who receive food stamp benefits in the comparison counties.

Our goal was to complete at least 600 interviews in the ASSETS counties and at least 600 in the comparison counties. This target sample size was estimated to be sufficient to detect a 10 percent difference in food expenditures with 80 percent power and a 95 percent level of confidence.

The size of the sample drawn in each county was proportional to the size of the ASSETS or food stamp caseload in that county for the month in which the sample was drawn. The sample of households within each county was selected randomly from computer files provided to us by the Alabama DHR that included all households receiving ASSETS/Nutrition Assistance or food stamp benefits in July 1991.

Exhibit 2.1 presents the size of the ASSETS or food stamp caseload in each county in July 1991 and the size of the sample drawn. More than 1200 households were sampled in order to allow for cases that were no longer receiving benefits, could not be located or refused to participate in the survey. The disposition of all cases in the sample, and information on ineligibility and non-response rates, are found in Appendix A.1 - A.3.

As shown in Exhibit 2.1, the response rate (the number of completed interviews as a percentage of the eligible cases) was quite high in both the ASSETS and comparison counties. The response rate averaged 86 percent in the ASSETS counties, and 81 percent in the comparison counties.

Interviewers screened respondents to determine whether they were still receiving ASSETS or food stamp benefits at the time of the interview. To be eligible for the survey, a respondent must have received food stamp benefits or ASSETS/Nutrition Assistance benefits in the interview month and the previous month. Sampled households who did not receive food stamp or ASSETS benefits in the current month are excluded from the survey because their food expenditures in the reference month of the survey would not reflect food expenditures while receiving benefits. We included respondents who have received benefits for at least two months so that respondents would have had more than one month's experience with the ASSETS or Food Stamp Program.

**Exhibit 2.1**

**FOOD STAMP CASELOAD AND SAMPLE BY COUNTY**

	Food stamp caseload <sup>a</sup>	Total number of cases selected	Completed sample size <sup>b</sup>	Response rate <sup>c</sup>
<b><u>ASSETS counties</u></b>				
Clarke	1,998	126	103	86.6 %
Limestone	2,392	150	123	88.5
Madison	10,368	655	494	85.8
Total	14,758	931	720	86.3
<b><u>Comparison counties</u></b>				
Butler	1,541	148	102	80.3 %
Chilton	1,452	143	96	82.8
Tuscaloosa	6,361	639	453	81.1
Total	9,354	930	651	81.2

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. July 1991. Alabama Department of Human Resources.

- b. Households that did not meet the screening criteria (i.e., did not receive food stamps or ASSETS benefits in the two months prior to the interview) are excluded from this count.
- c. Response rate is the number of completed cases as a percent of the number of eligible cases in the sample.

## 2.4 MEASURES OF HOUSEHOLD SIZE AND EXPENDITURES

In this section we define the key measures used in the household expenditures analysis. First we discuss the measures of household size and composition, followed by the definitions of key expenditure variables used in the analysis.

### Definition of Household Size

For the purposes of this analysis, the size of a household is defined as the people who eat from the same food supply as the head of household.<sup>1</sup> Usually the household included the individuals covered by the ASSETS or food stamp benefit. On occasion, however, it included individuals not covered by the benefit but who eat from the same food supply.<sup>2</sup> This measure of household size is intended to include all persons for whom food expenditures are reported.<sup>3</sup>

In order to compare expenditures across households, it is important to control for differences in household size and composition. Food expenditures are related to both the number of people in a household, and their ages and gender. Food expenditures are measured on a per adult male equivalent (AME) basis in order to adjust for the different nutritional requirements of different types of household members. The AME method assigns to each household member a weight representing his or her theoretical requirement for calories relative to that of an adult male. The AME weights are based on the national Recommended Dietary Allowance (RDA) table, shown in Exhibit 2.2. For example, a household consisting of an adult

~~woman and two children aged 4 and 6 translates into a household size of 2 adult male~~

**Exhibit 2.2****RECOMMENDED ENERGY (CALORIE) ALLOWANCES**

Category	Age (years)	Average energy allowance (kcal per day)
Infants	0.0 - 0.5	650
	0.5 - 1.0	850
Children	1-3	1,300
	4-6	1,800
	7-10	2,000
Males	11-14	2,500
	15-18	3,000
	19-24	2,900
	25-50	2,900
	51+	2,300
Females	11-14	2,200
	15-18	2,200
	19-24	2,200
	25-50	2,200
	51+	1,900
Pregnant	(2nd or 3rd trimester)	+300
Lactating		+500

Source: Recommended Dietary Allowances, 10th edition, National Research Council Subcommittee on the Tenth Edition of the RDAs, National Academy of Sciences, 1989.

## Measures of Food and Non-food Expenditures

This report examines the impact of cash-out on food expenditures.<sup>1</sup> The primary measure of food expenditures in this study is the amount spent on food in the month prior to the interview. Food expenditures are derived from questions on total spending in supermarkets, grocery stores, convenience stores, and specialty food stores (butcher shops, health food stores, etc.) Respondents were asked to report amounts spent in total and on non-food items for each store type; food spending is computed as the difference between total and non-food spending. The amount spent for food eaten at home is defined, in this study, as the sum of the amounts spent on food from each store type.

Note that this measure does not necessarily measure food used or eaten during the month. The "pure" cash-out studies in San Diego and Alabama have undertaken extensive food use surveys in order to assess the impact of cash-out on food use and nutrient availability. **Such data were not collected for this study.** Thus, no conclusions about the effects of cash-out on food use and nutrient availability should be drawn based on the effects on food expenditures.

Expenditures on food away from home are the sum of three components: expenditures on food from take-out and delivery places, expenditures at restaurants, and expenditures for food eaten at school, camp or day care. The questions about expenditures at restaurants and for take-out meals refer to the week before the interview; these amounts were multiplied by 4.3 weeks to obtain a monthly measure.

Food purchases in Alabama are subject to state and local sales tax; however, purchases made with food stamp coupons are exempt from sales tax by federal law. The State added a 7 percent increment to ASSETS households' Nutrition Assistance benefits to compensate for the sales tax on food. To make the levels of food expenditures comparable between ASSETS and comparison households, we adjusted the food expenditures of ASSETS households for the sales

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<sup>1</sup>The survey instrument used in this study to measure food expenditures was essentially the same as the ones used in the San Diego and Alabama Cash-Out Demonstrations and in the Washington FIP evaluation.

tax. Total reported expenditures on food in stores were decreased by the tax rate multiplied by the household's food stamp benefit amount.<sup>1</sup>

We measured spending on eight categories of non-food items in this study: shelter costs (housing and utilities), medical expenses, transportation costs, clothing expenses, and expenditures on education, recreation, dependent care, and personal services. Both the average expenditures per household in each category and the expenditure share (expenditures as a percent of total expenditures) are computed for the ASSETS and comparison households.

## **2.5 CHARACTERISTICS OF THE SAMPLE HOUSEHOLDS**

We completed interviews with 1,371 households, 720 in the ASSETS counties and 651 in the comparison counties. Of the sample ASSETS households, 494 (69 percent) live in an urban county (Madison), and 226 (31 percent) live in two rural counties (Clarke and Limestone). For the comparison sample, 452 (70 percent) live in an urban county (Tuscaloosa), and 198 (30 percent) live in two rural counties (Butler and Chilton).

### **Demographic Characteristics**

Exhibit 2.3 presents demographic characteristics for the sample households in the ASSETS and comparison counties. The characteristics of the caseloads in the two sets of counties are fairly similar. About three-fourths of the cases have a female head of household. A higher proportion of the heads of sample households are black in the comparison counties: 65 percent compared to 51 percent in the ASSETS counties.<sup>2</sup> In both ASSETS and comparison groups, close to half of household heads are under age 36, and for both groups, about 20 percent of the household heads are age 60 or older.

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<sup>1</sup>The sales tax rate on food, including state, county and local taxes, varies between 7 and 8 percent in the three ASSETS counties (and may vary within the counties as well). We used a tax rate of 8 percent for households in Madison County and 7 percent for households in Limestone and Clarke Counties.

<sup>2</sup>The difference in racial background between the ASSETS and comparison samples reflects the demographic differences between northern Alabama and south/central Alabama.

**Exhibit 2.3****DEMOGRAPHIC CHARACTERISTICS OF SAMPLE HOUSEHOLDS**

Characteristics of:	ASSETS households (N=720)	Comparison households (N=651)	Difference
<b><u>Household head</u></b>			
% Female	72.6%	76.2%	-3.6
% Married	22.6%	20.6%	2.0
<b>Race/Ethnicity</b>			
Black	51.1%	65.3%	-14.0**
White	46.0	34.4	11.7**
Other	2.9	0.3	2.3**
<b>Age</b>			
Under 18	0.6%	0.2%	0.4
19-35	49.4	44.6	4.8
36-59	29.0	33.0	-4.0
60+	21.0	22.2	-1.2
<b>Education</b>			
Less than 8th grade	24.0%	26.0%	-2.0
Some high school	31.0	33.0	-2.0
High school graduate	26.4	22.4	4.0
Beyond high school	18.6	18.6	0.0
Percent Employed	23.4%	28.0%	-4.7*
<b><u>Household</u></b>			
Mean household size	2.6	2.8	-0.2
Mean household size in adult male equivalents	1.9	2.0	-0.1
Percent of households that include children	56.8%	61.7%	-4.9
Percent of households with children that include only one adult	55.8%	65.1%	-8.9**
Percent of households that include elderly	23.3%	23.8%	-0.5

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.



Household size is very similar in the two groups, and about 60 percent of households in both groups include at least one child (the difference is not statistically significant). Of the households with children, 65 percent in the comparison counties have only one adult present as compared to 56 percent in the ASSETS households. Close to one-quarter of households in both groups include elderly members.

The characteristics of the households differ somewhat between the urban and rural counties (see Exhibits 2.4 and 2.5). The rural households (both ASSETS and comparison) are more likely to be older, less well-educated, and married than the heads of households in the urban counties. Close to one-third of the rural households include elderly members compared to about 20 percent of the urban households. While the average household size is similar, fewer of the rural households include one or more children. In addition, fewer of the rural heads of households are employed. These factors suggest that food expenditure patterns may differ between the rural and urban households.

### **Income Sources and Amounts**

Exhibit 2.6 compares the types and mean amounts of income for the ASSETS and comparison households. About one-third of the households in each group had wages in the month before the interview, and those wages averaged \$638 in the ASSETS households compared to \$586 in the comparison households.<sup>1</sup> As reported by the respondents, 18 percent of sample households in the ASSETS counties and 22 percent in the comparison counties receive Aid to Families with Dependent Children.<sup>2</sup> Average AFDC benefits received in the month prior to the interview was \$96 for ASSETS households and \$124 for comparison households (that receive AFDC benefits). Reported food stamp benefits averaged \$175 for sample ASSETS households and \$169 for sample comparison households (the difference is not statistically significant).<sup>3</sup>

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<sup>1</sup>These figures represent household totals, not just income of the sampled person.

<sup>2</sup>In the ASSETS counties AFDC benefits are included in the ASSETS check and are called ASSETS/AFDC benefits.

<sup>3</sup>The amount of food benefits (Nutrition Assistance) reported by the ASSETS households was divided by 1.07 to adjust for the 7 percent increment added by the State to cover the sales tax on non-food stamp coupon purchases.

**Exhibit 2.4**

**DEMOGRAPHIC CHARACTERISTICS OF URBAN SAMPLE HOUSEHOLDS**

Characteristics of:	ASSETS households (N=494)	Comparison households (N=453)	Difference
<b><u>Household Head</u></b>			
% Female	72.1 %	78.4 %	-6.3*
% Married	20.9 %	17.2 %	3.7
<b>Race/Ethnicity</b>			
Black	52.4 %	73.5 %	-21.1**
White	43.5	25.9	17.6**
Other	4.0	0.6	3.4**
<b>Age</b>			
Under 18	0.6 %	0.2 %	0.4
18-35	55.1	49.3	5.8
36-59	27.6	30.8	-3.2
60+	16.7	19.7	-3.0
<b>Education</b>			
Less than 8th grade	20.9 %	21.6 %	-0.7
Some high school	30.8	31.6	-0.8
High school graduate	26.7	22.7	4.0
Beyond high school	21.7	24.1	-2.4
Percent Employed	24.3 %	30.7 %	-6.5*
<b><u>Household</u></b>			
Mean household size	2.6	2.8	-0.2
Mean household size in adult male equivalents	1.9	2.0	-0.1
Percent of households that include children	58.5 %	64.7 %	-6.2*
Percent of households with children that include only one adult	59.2 %	68.5 %	-9.3*
Percent of households that include elderly	18.7 %	20.6 %	-1.9

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

**Exhibit 2.5**

**DEMOGRAPHIC CHARACTERISTICS OF RURAL SAMPLE HOUSEHOLDS**

Characteristics of:	ASSETS households (N=226)	Comparison households (N=198)	Difference
<b><u>Household Head</u></b>			
% Female	73.9%	71.2%	2.7
% Married	26.6%	28.3%	-1.7
<b>Race/Ethnicity</b>			
Black	48.2%	46.0%	2.2
White	51.3	53.5	-2.2
Other	0.4	0.5	-0.1
<b>Age</b>			
Under 18	0.4%	0.0%	0.4
18-35	37.2	33.7	3.5
36-59	31.9	38.3	-6.4
60+	30.5	28.1	2.4
<b>Education</b>			
Less than 8th grade	31.0%	35.9%	-4.9
Some high school	31.4	36.4	-5.0
High school graduate	25.7	21.7	4.0
Beyond high school	11.9	6.1	5.8*
Percent Employed	21.2%	21.7%	-0.5
<b><u>Household</u></b>			
Mean household size	2.8	2.8	0.0
Mean household size in adult male equivalents	2.0	2.1	-0.1
Percent of households that include children	53.3%	54.6%	-1.3
Percent of households with children that include only one adult	49.2%	56.1%	-6.9
Percent of households that include elderly	31.1%	33.3%	-2.2

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

Exhibit 2.6

SOURCES AND AMOUNT OF INCOME FOR SAMPLE HOUSEHOLDS

	ASSETS counties (N=720)	Comparison counties (N=651)	Difference
<u>Sources of income</u>			
Percent of households with wages	34.3 %	33.5 %	0.8
Percent of households receiving AFDC benefits	17.5 %	21.7 %	-4.2
Percent of households receiving other public assistance <sup>b</sup>	54.6 %	64.2 %	-9.6**
<u>Mean monthly reported household income<sup>a</sup></u>			
Mean wages	\$637.67	\$585.99	\$51.68
Mean Food Stamp/ Nutrition Assistance benefits	\$174.49 <sup>c</sup>	\$169.47	\$5.02
Mean AFDC benefits	\$96.45	\$123.71	-\$27.26**
Mean other public assistance	\$329.83	\$358.10	-\$28.27
<u>All households</u>			
Mean total income per household	\$636.26	\$675.89	-\$27.43

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. Mean computed for households receiving that type of income in the month prior to the interview.

b. Other assistance includes social security, SSI, state supplementary program (SUP), Veteran's benefits, Unemployment Insurance, housing assistance, and other charitable assistance.

c. Reported food stamp benefit amount (known as Nutrition Assistance in ASSETS) was divided by 1.07 to account for the 7 percent increment added by the state to cover sales tax paid on food purchases made with cash.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

Total household income is similar for the two groups. Comparison households reported income of \$676 from all sources while ASSETS households' total income was \$636 (the difference is not statistically significant). More comparison households than ASSETS households report receiving other public assistance.

Exhibit 2.7 presents the sources and mean amount of income by type for households in the urban counties. About 36 percent of both ASSETS and comparison households in the urban counties have wage income, with mean wages of about \$600. Urban ASSETS households report receiving lower AFDC benefits than their comparison counterparts: \$94 compared to \$125. The difference of \$32 is statistically significant. Fifty percent of urban ASSETS households receive other forms of assistance compared to 60 percent of urban comparison households: the difference of 10 percentage points is significant. Total monthly income for ASSETS and comparison households in urban counties is similar, the difference of \$49 is not statistically significant.

In the rural counties, the sources and mean income amounts are similar for ASSETS and comparison households. Between 27 and 30 percent of rural households had wage income. Fewer ASSETS households report receiving AFDC or other assistance, but the differences are not significant. Mean wages were \$712 for rural ASSETS households compared to \$553 for comparison households in rural counties. The difference of \$159 in wage income, while sizeable, is significant only at the 10-percent level. Total household income did not differ significantly for the two groups.

The characteristics of the caseloads in the ASSETS and comparison counties, while not identical, are similar in many key respects. Nonetheless, some of the differences between the two groups may affect food expenditures and shopping patterns. The differences in certain demographic characteristics between ASSETS and comparison households raises the concern that the difference-in-means analysis results could be misleading. If ASSETS and comparison households differ in ways that are related to food expenditures (e.g., in household size), then differences in mean food expenditures may reflect those demographic differences as well as any effects of cash-out. We used regression analysis to control for differences in household characteristics, and found the results to be quite similar to the difference-in-means analysis.

**Exhibit 2.7**

**SOURCES AND AMOUNT OF INCOME FOR URBAN HOUSEHOLDS**

	<b>ASSETS households (N=494)</b>	<b>Comparison households (N=453)</b>	<b>Difference</b>
<b><u>Sources of income</u></b>			
Percent of households with wages	36.4 %	36.4 %	0.0
Percent of households receiving AFDC benefits	18.6 %	21.6 %	-3.0
Percent of households receiving other public assistance <sup>b</sup>	50.2 %	60.5 %	-10.3**
<b><u>Mean monthly reported household income<sup>a</sup></u></b>			
Mean wages	\$609.99	\$596.68	\$13.31
Mean Food Stamp/ Nutrition Assistance benefits	\$181.74 <sup>c</sup>	\$169.97	\$11.77
Mean AFDC benefits	\$93.67	\$125.28	-\$31.61**
Mean other public assistance	\$310.22	\$342.73	-\$32.51
<b><u>All households</u></b>			
Mean total income per household	\$633.98	\$682.56	-\$48.58

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. Mean computed for households receiving that type of income in the month prior to the interview.

b. Other assistance includes social security, SSI, state supplementary program (SUP), Veteran's benefits, Unemployment Insurance, housing assistance, and other charitable assistance.

c. Reported food stamp benefit amount (known as Nutrition Assistance in ASSETS) was divided by 1.07 to account for the 7 percent increment added by the state to cover sales tax paid on food purchases made with cash.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

**Exhibit 2.8**

**SOURCES AND AMOUNT OF INCOME FOR RURAL HOUSEHOLDS**

	<b>ASSETS households (N=226)</b>	<b>Comparison households (N=198)</b>	<b>Difference</b>
<b><u>Sources of income</u></b>			
Percent of households with wages	29.6%	26.8%	2.8
Percent of households receiving AFDC benefits	15.0%	21.7%	-6.6
Percent of households receiving other public assistance <sup>b</sup>	64.2%	72.7%	-8.6
<b><u>Mean monthly reported household income<sup>a</sup></u></b>			
Mean wages	\$712.04	\$552.74	\$159.30
Mean Food Stamp/ Nutrition Assistance benefits	\$158.63 <sup>c</sup>	\$168.35	-\$9.72
Mean AFDC benefits	\$103.96	\$120.12	-\$16.16
Mean other public assistance	\$363.37	\$387.33	-\$23.96
<b><u>All households</u></b>			
Mean total income per household	\$641.24	\$660.64	-\$19.40

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. Mean computed for households receiving that type of income in the month prior to the interview.

b. Other assistance includes social security, SSI, state supplementary program (SUP), Veteran's benefits, Unemployment Insurance, housing assistance, and other charitable assistance.

c. Reported food stamp benefit amount (known as Nutrition Assistance in ASSETS) was divided by 1.07 to account for the 7 percent increment added by the state to cover sales tax paid on food purchases made with cash.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

An alternative approach is to use weighted differences-in-means analysis. This approach is useful if the two groups differ on only one or two characteristics. The weighting analysis, in effect, controls for the difference in that characteristic between the two groups. We tested the weighted difference-in-means approach for several demographic characteristics and found no substantial differences from the results using unweighted differences-in-means. The weighted differences-in-means approach and results are discussed in greater detail in Appendix D.

## **2.6 IMPACTS OF CASH-OUT ON RECIPIENTS' EXPENDITURES, SHOPPING PATTERNS AND PERCEIVED FOOD SUFFICIENCY**

In this section we first present the findings on total food expenditures, expenditures on food at home, and expenditures on food away from home. Next we compare non-food expenditures for ASSETS and comparison households. We then discuss the shopping patterns of ASSETS and comparison households. Finally, we present the findings on recipients' perceptions of the adequacy of food for their households and of recent price and rent changes. Interpretations of the findings are discussed in Section 2.9.

### **Food Expenditures**

Food expenditures are divided into two components: food at home (food purchased at stores), and food away from home. Food away from home includes food eaten at restaurants, take-out food, and expenditures for food eaten at school, camp or daycare. Food expenditures are presented on a per-household basis and also on a per adult male equivalent (AME) basis to control for the effects of household size and composition.

Exhibit 2.9 shows the mean level of food expenditures per household and per AME for ASSETS and comparison households in the month prior to the interview. Households in the ASSETS counties report spending considerably less on food than the households in the comparison counties. Mean total expenditures on food per household were \$231.14 in the comparison counties, and were \$176.67 in the ASSETS counties. Thus, total food expenditures per household were almost 24 percent lower among the ASSETS households. This difference is statistically significant at the 1 percent level.



## Exhibit 2.9

### MEAN FOOD EXPENDITURES<sup>a</sup>

	ASSETS households <sup>b</sup>	Comparison households	Absolute difference	Percentage difference
<u>Expenditures per household</u>				
Monthly expenditures on food at home	\$153.81	\$210.25	-56.44**	-26.8%
Monthly expenditures on food away from home	22.70	20.65	2.05	9.9%
<b>Total monthly food expenditures<sup>c</sup></b>	<b>176.67</b>	<b>231.14</b>	<b>-54.47**</b>	<b>-23.6%</b>
<u>Expenditures per adult male equivalent (AME)</u>				
Monthly expenditures on food at home per AME	\$90.44	\$115.87	-25.43**	-21.9%
Monthly expenditures on food away from home, per AME	12.85	10.81	2.05	19.0%
<b>Total food expenditures per AME<sup>c</sup></b>	<b>103.44</b>	<b>126.86</b>	<b>-23.42**</b>	<b>-18.5%</b>

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

- Notes:
- a. Standard errors of the estimates are shown in Appendix Exhibit F.1.
  - b. Food expenditures in the ASSETS demonstration counties are adjusted to account for the sales tax paid on food (no sales tax is paid on food stamp coupon transactions).
  - c. Components do not sum to totals because of slight differences in sample size due to missing data.

\*\* Significant at the 1-percent level.

\* Significant at the 5-percent level.

Typically, the majority of total food expenditures is spent on food at home, and only a small portion of food expenditures are spent away from home. Monthly expenditures for food at home averaged \$153.81 per ASSETS household compared with \$210.25 per comparison household. This \$56.44 difference is 27 percent of the level of expenditures by comparison households, and is statistically significant at the 1 percent level.

When we control for household size and composition by measuring food expenditures per adult male equivalent, the results are similar, though the percentage difference in food expenditures is smaller. Total food expenditures per AME were 18 percent lower for ASSETS households than for comparison households. ASSETS households spent \$103.44 per AME on food compared to \$126.86 by comparison households, and this difference of \$23.42 is significant at the 1 percent level.

When we control for household characteristics in the regression analysis, the difference in food expenditures between the two groups was essentially the same.<sup>1</sup> The coefficient on the ASSETS dummy variable was consistently large and negative, indicating that food expenditures were considerably lower for ASSETS households than for comparison households even when controlling for differences in household characteristics. The regression results show that total food expenditures were \$52.27 less for ASSETS households than for comparison households (the ASSETS coefficient is significant at the 1 percent level). The regression coefficient is only slightly smaller than the difference-in-means, which was \$54.47. The regression results also are similar to the difference-in-means when we look at food expenditures adjusted for household size. Food expenditures per AME were \$26.71 lower for ASSETS households than for

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<sup>1</sup>The explanatory variables in the regression models included an indicator for ASSETS, an indicator for rural counties, and a number of characteristics of the household and the sampled person. The household characteristics included: food benefit amount, total household income (excluding the food benefit), income of household members who do not eat from the sampled person's food supply, household size in adult male equivalents, and indicator variables for whether the household includes children, has elderly members, has savings, lives in public housing, pays rents, receives AFDC benefits, receives WIC benefits, and participates in the USDA surplus commodity program. The demographic characteristics of the sample person included indicators for whether the sampled person is male, is a minority, is under age 30, has less than an eighth grade education, graduated from high school, and has been receiving food benefits for less than one year. The full results of the regression model are presented in Appendix C.

comparison households when controlling for household characteristics (see Appendix C.2), compared to the \$23.42 simple difference-in-means. Thus, despite some differences in household characteristics between counties, the regression analysis and the means analysis both show that ASSETS households' food expenditures were lower by about 20 to 25 percent compared to the comparison households.

One hypothesized effect of cash-out is that households might choose to spend more of their food money on food away from home -- at restaurants or for take-out meals -- which in general cannot be purchased with food stamp coupons. The findings do not indicate that

Expenditures on food away from home are the sum of three components: expenditures

**Exhibit 2.10****FOOD AT HOME  
VERSUS FOOD AWAY FROM HOME**

	ASSETS households	Comparison households	Absolute difference	Percentage difference
<u>Expenditure shares</u>				
Percent of food expenditures for food at home	88.8%	92.8%	-4.0**	-4.3%
Percent of food expenditures for food away from home	11.2%	7.2%	4.0**	55.6%
Total monthly food expenditures	\$176.67	\$231.14	-\$54.47**	-23.6%
Mean number of meals eaten away from home	2.7	2.8	-0.1	-3.6%
Percent of meals eaten away from home	14.0%	14.1%	-0.1	-0.7%

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

share of ASSETS households' total food budgets because they spent less than comparison households for food at home.

The ASSETS-comparison difference in food expenditures is smaller for households in the rural counties than for households in the urban counties. As shown in Exhibit 2.11, in the urban counties ASSETS households spent \$176.13 on food compared to \$211.70 for comparison households. This difference of almost 60 dollars (28.3 percent) is significant at the 1 percent level. In comparison, the ASSETS households in rural counties spent about 24 percent less than the comparison households in rural counties. ASSETS households spent \$158.18 compared to \$206.92 for comparison households in rural counties.

Households in rural counties spend less on food away from home than do households in urban counties. In both urban and rural counties, the ASSETS households spend somewhat more per AME on food away from home than do the comparison households. As shown in Exhibit 2.11, the ASSETS-comparison differences are not statistically significant, however.

#### **Food Expenditures as a Percent of the Food Stamp Benefit Amount**

The behavior of households that receive food stamp benefits under cash-out is likely to be affected by whether or not they were "constrained" under the coupon system. A household is defined as constrained if its food expenditures are less than or equal to its coupon benefit amount. In such a case the household might prefer to increase its non-food consumption, but it is constrained to spend the coupons on food. Under cash-out, a constrained household is likely to spend some of its cash food benefits on non-food budget categories.

A household that is not constrained, on the other hand, is one whose food expenditures exceed its food benefit amount. Such a household is unconstrained in the sense that it could shift spending to non-food items and away from food even under the coupon system. Unconstrained households are already spending more than the benefit amount on food and so are presumed less likely to shift their food expenditure patterns under cash-out.

We calculated food expenditures as a percent of the food stamp or nutrition assistance benefit amount reported by ASSETS and comparison households. As shown in Exhibit 2.12, 58 percent of ASSETS households spent less on food (at home) than they received in food benefits. Another 5 percent spent between 101 and 110 percent of their benefit amount on food. In contrast, about one-third of comparison households are constrained (they spent less than their

Exhibit 2.11

MEAN FOOD EXPENDITURES FOR URBAN AND RURAL HOUSEHOLDS

Monthly Expenditures	Urban Counties			Rural Counties		
	ASSETS households	Comparison households	Absolute difference	ASSETS households	Comparison households	Absolute difference
<u>Expenditures Per Household</u>						
Expenditures on food at home	\$151.80	\$211.70	-\$59.90**	\$158.18	\$206.94	-\$48.76**
Expenditures on food away from home	24.18	23.52	0.66	19.45	14.06	5.39*
<b>Total food expenditures</b>	176.13	235.55	-59.42**	177.85	221.08	-43.23**
<b>Total non-food expenditures</b>	472.64	455.59	17.05	468.00	379.50	88.50**
<b>Total expenditures</b>	650.44	691.32	-40.88	645.56	599.11	46.45
<u>Expenditures Per Adult Male Equivalent (AME)</u>						
Expenditures on food at home, per AME	\$89.74	\$118.75	-\$29.01**	\$91.94	\$109.20	-\$17.26**
Expenditures on food away from home per AME	13.16	11.95	1.21	12.19	8.15	4.04
<b>Total food expenditures per AME</b>	102.98	130.83	-27.85**	104.44	117.65	-13.21*
Sample size	494	453		226	198	

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: Components may not sum to totals because of slight differences in sample sizes due to missing data.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

**Exhibit 2.12**

**FOOD EXPENDITURES AS A PERCENT OF FOOD BENEFITS**

Percent of households for which food expenditures from stores are:	ASSETS households (N=711)	Comparison households (N=648)
$\leq$ 100 percent of food stamp benefit	58.4	33.3
101-110 percent of food stamp benefit	4.5	11.6
> 110 percent of food stamp benefit	37.1	55.1

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

benefit amount on food). Another 12 percent of comparison households may be constrained, as they spent between 101 and 110 percent of their benefit amount on food.

The proportion of households in the comparison counties that are potentially constrained under the coupon system is quite high, suggesting that in the absence of cash-out, a large fraction of ASSETS households would similarly be constrained. The large difference in food expenditures observed between ASSETS and comparison households is consistent with the theory that constrained households would shift expenditures from food to non-food when the constraint is removed.

The difference in the proportion of constrained households between the ASSETS and comparison counties may reflect a shift in expenditures: ASSETS households that would have been constrained in the coupon system have shifted some of their benefit to non-food spending and, as a result, spent less than their benefit amount on food. Recipients in both ASSETS and comparison counties have relatively low cash incomes, so that it is not surprising that a fairly large proportion of households are constrained.

### **Non-food and Total Expenditures per Household**

Given that average food expenditures are lower for ASSETS households than for comparison households, we next look at whether total expenditures differ for the two groups. Exhibit 2.13 presents mean total expenditures per household, and total expenditures divided into food and eight non-food categories (shelter, medical expenses, transportation, clothing, education, dependent care, recreation, and personal services).

Total monthly expenditures are very similar for the two groups. ASSETS households spent an average of \$648.91 per month, compared to \$663.24 in expenditures for the comparison households. Mean monthly total expenditures were slightly lower (\$14.34, or 2 percent) for ASSETS households relative to comparison households. This small difference is not statistically significant.

Since both groups spent about the same in total for a month, ASSETS households spent somewhat more on non-food budget categories. Total monthly non-food expenditures are \$471.18 for ASSETS households and \$432.45 for comparison households. The \$38.73 difference is significant at the 5 percent level (using a one-tailed test).



**Exhibit 2.13**

**HOUSEHOLD EXPENDITURES<sup>a</sup>**

Expenditure Category	Mean Expenditures			
	ASSETS households	Comparison households	Absolute difference <sup>b</sup>	Percentage difference
<b>Food<sup>b</sup></b>	\$176.67	\$231.14	-54.47**	-23.6%
Food at home	153.81	210.25	-56.44**	-26.8
Food away from home	22.70	20.65	2.05	9.9
<b>Non Food<sup>c</sup></b>	\$471.18	\$432.45	38.73*	9.0%
Shelter	239.71	219.24	20.47*	9.3
Housing	126.49	91.50	34.99**	38.2
Utilities	113.21	127.74	-14.53**	-11.4
Medical	35.14	33.29	1.85	5.6
Transportation	84.22	60.65	23.57**	38.9
Clothing	59.37	59.96	-0.59	-1.0
Education	19.81	27.86	-8.06	-28.9
Dependent Care	10.60	7.03	3.57	50.8
Recreation	12.76	14.83	-2.07	-14.0
Personal Services	9.58	9.58	0.00	0.0
<b>Total Expenditures<sup>c</sup></b>	648.91	663.24	-14.34	-2.2

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. Standard errors of the estimates are shown in Appendix Exhibit F.2.

b. One-tailed significance tests were conducted on all food expenditure differences and on positive non-food expenditure differences. Two-tailed tests were done on negative non-food expenditure differences.

c. Components do not sum to totals because of slight differences in sample size due to missing data.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

When broken down by budget category, we find important differences between the two groups in two non-food budget categories: shelter and transportation. ASSETS households spent relatively more on these two categories, on average, than the comparison households. Mean monthly expenditures by ASSETS households on shelter were \$239.71 compared to \$219.24 by comparison households. This 9 percent difference is significant at the 5 percent level. ASSETS households spent more on housing and less on utilities than comparison households. ASSETS households spent \$35 (38 percent) more on housing and about \$15 (11 percent) less on utilities than comparison households.<sup>1</sup> These differences are statistically significant.

ASSETS households also spent more than comparison households on transportation. ASSETS households spent \$84.22 on transportation, \$23.37 more on average than the comparison households. This difference of 39 percent is statistically significant.

To see how their household budgets are allocated, Exhibit 2.14 presents the average expenditure shares (i.e., the proportions of total expenditures) for ASSETS and comparison households. Food and shelter costs dominate the expenditures of recipient households: more than 70 percent of expenditures were spent on food and shelter by both groups. Housing and utilities costs are the largest share of the non-food budget. For ASSETS households, housing and utilities costs each account for close to 19 percent of total expenditures. The next largest non-food budget category is transportation, which is 11 percent of total expenditures for ASSETS households.

As expected, ASSETS households spent a significantly larger fraction (66 percent) of their total budget on non-food items than did comparison households (60 percent), and significantly smaller fraction on food (34 percent for ASSETS households and 40 percent for comparison households). The difference in expenditure shares is positive and significant for only two non-food categories: housing and transportation. For ASSETS households, the expenditures shares are 4.6 and 2.4 percentage points larger for housing and transportation,

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<sup>1</sup>For some households, certain utilities such as water or heat may be included in the rent they pay. As a result, expenditures on housing and utilities combined may better capture total costs related to shelter.

**Exhibit 2.14**

**EXPENDITURE SHARES**

Expenditure Category	Percent of Total Expenditures			
	ASSETS households	Comparison households	Absolute difference	Percentage difference
<b>Food</b>	33.7%	39.6%	-5.9**	-14.9%
Food at home	30.0	36.9	-6.9**	-18.7
Food away from home	3.7	2.7	1.0**	37.0
<b>Non Food</b>	66.3%	60.4%	5.9**	9.8%
Shelter	37.2	34.3	2.9**	8.5
Housing	18.6	13.9	4.6**	33.1
Utilities	18.6	20.3	-1.7*	-8.4
Medical	5.1	4.7	0.3	6.4
Transportation	10.6	8.2	2.4**	29.3
Clothing	7.3	7.2	0.1	1.4
Education	1.7	2.2	-0.5	-22.7
Dependent Care	1.0	0.8	0.2	25.0
Recreation	1.9	1.6	0.2	12.5
Personal Services	1.6	1.4	0.2	14.3
<b>TOTAL</b>	100%	100%	--	--

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: a. One-tailed significance tests were conducted on all food expenditure differences and on positive non-food expenditure differences. Two-tailed tests were done on negative non-food expenditure differences.

\*\* Significant at the 1 percent level.

\* Significant at the 5 percent level.

respectively, than for comparison households. ASSETS households also spent a significantly smaller fraction of total expenditures on utilities than did comparison households.

There are a number of interpretations of the difference in food expenditures between ASSETS and comparison households. It may be the case that because their food benefits are no longer earmarked for food like food stamp coupons, ASSETS households have chosen to shift some food spending to other necessities, notably housing and transportation. Another possibility is that differences in expenditure patterns may have existed prior to implementation of the ASSETS program. In other words, the lower food expenditures in the ASSETS counties may be unrelated to cash-out. For example, rents may be higher in the ASSETS counties, and thus take a larger portion of household budgets in the ASSETS counties. In Section 2.9 we look at a number of factors and weigh the evidence to assess which interpretation -- a shift in spending or a pre-existing difference -- is more likely to be the case.

### **Food Shopping Patterns**

Using food stamp coupons to pay for food purchases is a process subject to a number of regulations. Coupons must be used at authorized food retailers, and only for eligible items.<sup>1</sup> Recipients must present the coupon book at the time of the purchase (except when using one dollar coupons), and counting out the coupons can be time-consuming. As a result, recipients may shop differently with coupons than with cash benefits. For example, they may choose to spend all their coupons at once or use coupons only at larger stores.

Recipients may also feel they are treated differently when using coupons, and this may affect their shopping patterns. Some recipients may feel that using food stamp coupons is embarrassing or subjects them to criticism by store employees or other shoppers. With cash benefits they may feel more comfortable shopping at smaller stores or more frequently than they did with coupons.

In this section we compare the proportion of expenditures by store type, the number of shopping trips by store type, and the proportion of trips by store type for the ASSETS and

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<sup>1</sup>Most food items are eligible. Certain prepared foods and non-food items like soap or toothpaste cannot be legally purchased with food stamp coupons.

comparison households. Expenditures on food were totalled for four store types: supermarkets, neighborhood grocery stores, convenience stores, and specialty food stores (such as butcher shops, produce stands, dairies, and health food stores). We find only small differences in the reported shopping patterns of ASSETS and comparison households.

**Expenditures by store type.** Food benefit recipients in both the ASSETS and comparison counties spent most of their food budgets in supermarkets. As shown in Exhibit 2.15, comparison households spent 90 percent of food expenditures (from stores) in supermarkets. ASSETS households on average spent a slightly smaller proportion in supermarkets: 87 percent, 3 percentage points less. This difference is statistically significant. ASSETS households spent a slightly higher fraction of food expenditures at each of the other three store types, though the difference in proportions relative to the comparison households is significant only for the specialty food stores. ASSETS households spent over 4 percent of food expenditures at specialty stores compared to under 3 percent for comparison households. It may be that some of these specialty stores do not accept food stamp coupons, or that recipients may have preferred to use coupons in larger stores.<sup>1</sup>

**Shopping trips.** ASSETS and comparison households report similar patterns of food shopping. As shown in Exhibit 2.15, ASSETS households reported making nearly 10 food shopping trips last month, compared to 9 trips for comparison households (the difference is not statistically significant). For each of the four store types, ASSETS households report at least as many shopping trips as comparison households, on average. The only significant difference is for neighborhood grocery stores: ASSETS households reported making 2.5 trips, 0.5 more than did comparison households.

The majority of food shopping trips are made to supermarkets. For both groups, about 65 percent of all shopping trips were to supermarkets. A larger percentage of shopping trips made by ASSETS households than by comparison households are to specialty food stores. ASSETS households report 6.5 percent of their shopping trips last month were to specialty stores, compared to under 5 percent of shopping trips for comparison households.

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<sup>1</sup>Alternatively the distribution of store-types may differ across counties.

**Exhibit 2.15**

**FOOD EXPENDITURES AND FOOD SHOPPING TRIPS  
BY STORE TYPE**

	ASSETS households	Comparison households	Difference
<b>Percent of total food expenditures at:</b>			
Supermarkets	87.5 %	90.2 %	-2.7**
Neighborhood grocery stores	5.5	5.2	0.3
Convenience stores	2.6	2.0	0.6
Specialty stores	4.4	2.6	1.8**
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>--</b>
<b>Percent of all food shopping trips:</b>			
Supermarkets	65.1 %	65.4 %	-0.3
Neighborhood grocery stores	14.9	16.8	-2.0
Convenience stores	13.5	12.9	0.7
Specialty stores	6.5	4.9	1.6*
<b>Mean number of trips per month to:</b>			
Supermarkets	4.5	4.4	0.1
Neighborhood grocery stores	2.5	2.0	0.5*
Convenience stores	2.3	2.1	0.2
Specialty stores	0.6	0.5	0.0
<b>Mean total food shopping trips</b>	<b>9.9</b>	<b>9.0</b>	<b>0.9</b>

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

Overall, shopping patterns are fairly similar for the two groups and are dominated by shopping at supermarkets. The survey suggests that ASSETS households may shop slightly more at specialty stores (in terms of percentage of expenditures and percentage of trips) than do comparison households, and slightly less at supermarkets. There is no evidence, however, that the switch to cash food benefits led to a dramatic change in food shopping patterns.

### **Perceptions of Food Sufficiency**

The sizeable difference in the level of food expenditures between ASSETS and comparison households may raise concern about the adequacy of the food supply available to ASSETS households. This study, unlike some of the other cash-out studies, however, did not collect data on food use. Thus we cannot draw any conclusions about the impact of lower food expenditures on food use or nutrient availability. But the survey did ask respondents a number of questions about food sufficiency and actions that may indicate inadequate food supplies. The findings, discussed below, are mixed, and overall show only weak evidence of a greater proportion of households with insufficient food in the ASSETS counties than in the comparison counties.

Some households in both the ASSETS and comparison counties report that in the past month, they did not have enough food to meet needs. As Exhibit 2.16 shows, 16 percent of ASSETS households and 13 percent of comparison households report either sometimes or often not having enough to eat in the past month. While the proportion of ASSETS households reporting insufficient food is higher than for comparison households, the difference is not statistically significant at the 5 percent level. Over 80 percent of households in both groups report having enough to eat, though for many, not always the kinds of food they would prefer.

Despite the fact that a large majority report having enough to eat, close to 20 percent of households in both groups report that there were days in the past month when they had no food and no money or food stamps with which to buy food. For both groups, those reporting days with no food or resources reported an average of 5 to 6 days last month with no food or resources. The average number of days with no food or resources for all households was not higher for the ASSETS households than for the comparison households.

**Exhibit 2.16****RECIPIENTS' PERCEPTIONS OF FOOD SUFFICIENCY**

	ASSETS households (N=720)	Comparison households (N=651)	Absolute difference
Percent of households reporting:			
Enough of the kinds of food we want to eat	29.2	34.1	-4.9
Enough but not always the kinds of food we want to eat	54.6	52.7	1.9
Sometimes not enough to eat	11.7	9.7	2.0
Often not enough to eat	4.4	3.4	1.0
Percent of households reporting any days last month with no food, money or food stamps			
	19.2	19.8	-0.6
Mean number of days last month on which household had no food, money or food stamps			
Households reporting one or more days	5.0	5.8	-0.8
All households	0.9	1.1	-0.2
Percent of households reporting skipping meals last month because there wasn't enough food, money or food stamps			
	9.4	5.5	3.9**
Mean number of days on which household members skipped meals in the last month			
Households that skipped meals	9.5	5.5	4.0**
All households	0.9	0.3	0.6**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level.

\* Significant at the 5-percent level.



Although ASSETS and comparison households report similar levels of perceived food sufficiency, significantly more ASSETS households report skipping meals because of a lack of food, food benefits, or money to buy food. As seen in Exhibit 2.16, 9 percent of ASSETS households report skipping meals on an average of 9.5 days last month. Among comparison households, 6 percent report skipping meals on about 5.5 days on average last month. Averaging across all households, ASSETS households report skipping meals on an average of just under 1 day (0.90) compared to 0.30 days for comparison households. This difference is statistically significant at the 1 percent level.

While a large majority of households in both groups reported having enough food, over half of each group took some action in response to a lack of food in the month prior to the interview. Respondents borrowed food or money from friends and relatives, ate at other people's homes, and prepared smaller or less expensive meals when they ran short of food and money. As shown in Exhibit 2.17, 53 percent of ASSETS households and 56 percent of comparison households undertook at least one action last month because of a lack of food (the difference between groups is not statistically significant).

Food stamp and ASSETS recipients have available to them a number of other sources of food or food assistance, such as the WIC Program, the USDA surplus commodity program, subsidized school meal programs, and home-produced food sources like gardens, fishing or hunting. We examine the proportion of households in the two groups that report using these other programs and sources to determine whether ASSETS households are obtaining more food from these sources to offset their lower food expenditures, relative to the comparison counties.

Exhibit 2.18 shows that there are few significant differences in the participation rates of ASSETS and comparison households in other food assistance programs. The only significant difference is in the proportion who produce food at home. A significantly larger fraction of ASSETS households obtained food through gardening, fishing, hunting, or raising livestock than did comparison households. Fourteen percent of ASSETS households produced food at home compared to 9 percent of comparison households. While the proportion of ASSETS households producing food is nearly twice that of comparison households, it is still a small fraction of all households.

**ACTIONS UNDERTAKEN BY HOUSEHOLD MEMBERS  
IN MONTH BEFORE INTERVIEW  
BECAUSE OF LACK OF FOOD**

[illegible]

# Exhibit 2.18

## USE OF OTHER SOURCES OF FOOD

Program/Source of food	Percent of Households		
	ASSETS (N=720)	Comparison (N=651)	Absolute difference
USDA surplus commodity program	17.5 %	13.8 %	3.7
Subsidized school lunch <sup>a</sup> (National School Lunch Program)	70.5	76.5	-6.1
Subsidized school breakfast <sup>b</sup> (School Breakfast Program)	58.1	51.2	6.9
WIC <sup>c</sup>	52.2	56.9	-4.8
Home-produced food (garden, fishing, hunting or raising livestock)	14.2	8.9	5.3**
Received free meal(s) in past month	51.7	56.1	-4.4

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. Percent of households that have children who attend school(s) that serve lunch.

b. Percent of households that have children who attend school(s) that serve breakfast.

c. Percent of households that include children under the age of 5 or pregnant or lactating women.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

More than half of all households in both groups received at least one free meal away from home in the month before the interview. Slightly fewer ASSETS households received free meals away from home, 52 percent, compared to 56 percent for comparison households, a difference that is not significant.

The findings based on respondents' perceptions about the household food supply and recent actions do not offer clear evidence that ASSETS households, despite their lower level of food expenditures, are either suffering more from inadequate food supplies or are more often offsetting their lower food expenditures by certain actions or other sources of food than the comparison households. We also asked ASSETS households that had received coupons previously to compare the quantity and quality of their household's food supply under both systems. While some households report less food or lower quality food, most report no difference when using checks and coupons. As shown in Exhibit 2.19, 18 percent report having less food available with checks than with coupons, though 13 percent report having more food available with checks. Most (68 percent) report no change. Over three-fourths report that the quality of food is the same with checks and with coupons. However, 23 percent report that money to buy food does not last as long each month with checks compared to coupons (although nearly two-thirds report no difference in the length of time that money to buy food lasts each month). Most respondents also report no impact on the number of shopping trips, and very few report any change in who shops or where they shop.

In sum, most respondents do not report having less food or lesser quality food than when they used coupons. ASSETS households participate in other food assistance programs and obtain free food or meals at rates similar to the comparison households. These findings suggest that the lower average food expenditures of ASSETS households do not result in less food availability. There is, however, one factor that suggests that food sufficiency may be slightly lower for the ASSETS population. ASSETS households report skipping meals more frequently because of insufficient food than do comparison households. Nonetheless, less than 10 percent of ASSETS households report skipping any meals, and over 80 percent report always having enough to eat. While the survey did not measure the adequacy of food intake directly, the evidence does not suggest any substantially greater problem with food sufficiency for ASSETS households than for comparison households.

Exhibit 2.19

RECIPIENTS' COMPARISON OF FOOD SUFFICIENCY  
UNDER COUPON AND CHECK SYSTEMS

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	Percent of households <sup>a</sup> (N=452)
<hr/>	
<u>Amount of food</u>	
More with checks	13.3%
Less with checks	18.4
About the same	68.4
 <u>Quality of food</u>	
Better with checks	10.6%
Worse with checks	12.2
About the same	77.2
 <u>Length of time money to buy food lasts each month</u>	
Longer with checks	11.3%
Shorter with checks	22.6
About the same	64.4
 <u>Frequency of shopping trips</u>	
More often with checks	15.5%
Less often with checks	10.0
About the same	74.1
 <u>Any change in who shops for food?</u>	
Change in main shopper	1.8%
No change in main shopper	98.2
 <u>Any change in type of store?</u>	
Change in main type of store	5.1%
No change in main store	94.9

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Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: a. These questions were asked only of respondents who had previously received food stamp coupons and currently receive ASSETS checks. Each cluster of percentages may sum to less than 100 because of missing and "don't know" responses.

## Perceptions of Price and Rent Changes

One concern about cash-out is that because the switch to cash food benefits would result in a greater availability of cash in low-income communities, some landlords or retailers might take advantage by raising prices or rents in these communities. We did not collect the kind of detailed data needed to test for such a "community effect" directly. Instead, we asked recipients in both the ASSETS and comparison counties about their perceptions of changes in prices and rents. If recipients perceive greater price or rent increases in the ASSETS counties than in the comparison counties, this evidence would be consistent with the community effect theory.<sup>1</sup>

Based on respondents' perceptions of food price increases in the past year, there is no evidence that more recipients in the ASSETS counties have faced food price increases than in the comparison counties. A majority of recipients in both ASSETS and comparison counties think that food prices have increased "a lot" in the past year. As shown in Exhibit 2.20, 56 percent of both ASSETS and comparison households report a large increase in food prices in the past year. Another 37 percent of households in both groups report that food prices increased a small amount in the past year. The slight differences in proportions between groups are not significant at the 5 percent level.

A second hypothesized community effect suggests that some landlords may raise rents in response to the increased availability of cash among recipients of cashed-out food benefits. Comparing average rents paid across counties (among those who pay rent), Exhibit 2.21 shows that rent paid (in the month before the interview) by ASSETS households was considerably higher than rent paid by comparison households. ASSETS households who rent paid \$66 more in rent per month, on average, than comparison households. This difference of 53 percent is statistically significant. ASSETS households pay more rent than comparison households in each of the matched pairs of counties, though the difference is not significant for households in Clarke and Butler counties (see Exhibit 2.22). Households in Madison County report paying \$73 (or 56 percent) more in rent than households in Tuscaloosa County. The difference in rent between Limestone and Chilton households is \$41, or 35 percent.

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<sup>1</sup>Actually proving the existence of a community effect would be much more difficult because we would need to control for other factors that differ between the counties that could affect prices and rents.

**Exhibit 2.20**

**RECIPIENTS' PERCEPTIONS OF PRICE CHANGES**

	Percent of households		
	ASSETS (N=720)	Comparison (N=648)	Absolute Difference
In the past year, have food prices . . . ?			
Increased a lot	56.3%	55.6%	0.7
Increased a little	37.1	36.6	0.5
Not increased at all	5.6	6.2	-0.6
Don't know	1.1	1.7	-0.6

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: The differences-in-proportions between the ASSETS and comparison households are not statistically significant at the 5-percent level.

**Exhibit 2.21**

**MEAN RENT PAYMENTS AND CHANGES IN RENT**

	ASSETS households (N=720)	Comparison households (N=651)	Absolute difference
Percentage of all households that pay rent	54.4 %	53.1 %	1.3
<u>Renters only</u>			
Number of households	392	346	
Mean rent	\$188.40	\$122.83	\$65.57**
Mean estimated rent last year	\$162.26	\$103.36	\$58.90**
Proportion of renters who did not move in past year	56.6 %	71.7 %	-15.1**
Proportion of renters who are paying higher rent than a year ago	34.7	35.8	-1.1

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.



**Exhibit 2.22**

**MEAN RENT AMOUNTS BY COUNTY**

	ASSETS	Comparison	Difference
	Clarke County	Butler County	
Proportion of all households that pay rent	28.2%	44.1%	-15.9*
Mean rent amount in the month before interview <sup>a</sup>	\$91.14	\$84.33	\$6.81
	Limestone County	Chilton County	
Proportion of all households that pay rent	50.4%	46.9%	3.5
Mean rent amount in the month before interview <sup>a</sup>	\$160.89	\$119.51	\$41.38**
	Madison County	Tuscaloosa County	
Proportion of all households that pay rent	60.9%	56.5%	4.4
Mean rent amount in the month before interview <sup>a</sup>	\$203.44	\$130.19	\$73.25**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: a. Includes only households that pay rent.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

There are a number of possible explanations for this rent differential between the ASSETS and comparison counties:

- rent levels may have been higher in the ASSETS counties than in the comparison counties prior to cash-out (a pre-existing difference), (or may have risen faster for reasons unrelated to ASSETS); or,
- rent levels may have risen faster in the ASSETS counties than in the comparison counties due to landlords responding to cash-out (a community effect); or,
- households receiving cash benefits may choose to spend more of their resources on housing and the increase in rents may reflect an increase in the quality or size of housing being rented.

Determining which of these hypotheses -- or which combination of hypotheses -- explains the rent differential is difficult without detailed data on rents and housing quality before and after cash-out. The survey does provide some additional information, however, on changes in rent in the past year. We asked survey respondents who pay rent a series of questions in order to assess whether any changes occurred in the rental market in the past year. These questions covered the amount of rent paid last month, changes in rent paid in the past year, and whether and why they had moved in the past year. As discussed below, the results suggest that while rents have increased slightly faster in the ASSETS counties than in the comparison counties over the past year, the rent differential between the two groups is likely to have been nearly as large prior to the implementation of cash-out.

The percentage of households who report an increase in rent is nearly identical for the ASSETS and comparison counties. As shown in Exhibit 2.21, 35 percent of households that rent in ASSETS counties said their rent had increased in the past year compared to 36 percent of comparison households that rent. While the percentage who reported a rent increase varied across counties, the difference between the ASSETS and comparison households was not statistically significant for any of the matched pairs of counties. If we look only at households that did not move in the past year, 30 percent of ASSETS households report paying more rent compared to 34 percent of comparison households. This difference is not statistically significant.

ASSETS households that rent pay more than households in the comparison counties, yet similar proportions report rent increases in the past year. This raises the question of whether

the rent differential existed before cash-out was implemented. Using the reported increase in monthly rent and amount of rent paid last month, we estimated last year's monthly rent for all sample households.<sup>1</sup> The mean estimated rent paid last year by ASSETS households was \$162 compared to \$188 currently. For comparison households, the mean rent estimated for last year was \$103 compared to \$123 at the time of the survey. While the estimates of last year's rent are approximate, they suggest that the rent differential between ASSETS and comparison counties was almost as large a year ago as now, and apparently pre-dated cash-out.

There is also some evidence, however, that rents have risen more in the ASSETS counties over the past year than in the comparison counties. While the proportion of renters reporting an increase in rent is similar for ASSETS and comparison households, the ASSETS households tend to report larger increases. Of the ASSETS households reporting an increase in rent, 43 percent reported an increase greater than \$50 compared to 29 percent of the comparison households who reported an increase. This difference is statistically significant at the 5 percent level.

It is possible that even if landlords did respond to cash-out by raising rents, we might not see much change in mean rent if households moved to other (possibly inferior) housing in order to keep their rent level unchanged. We looked for evidence of this trend by examining the proportion of households that moved in the past year and their reasons for moving. A significantly higher percentage of ASSETS households moved last year than did comparison households. Of ASSETS households currently renting, 43 percent moved in the past year, compared to 28 percent of comparison households that are currently renting. However, similar reasons for moving were cited by both ASSETS and comparison households, and most households did not move because of an increase in rent. Only about 5 percent of those who moved in both the ASSETS and comparison counties cited an increase in rent as the main reason for their move. Thus, while there is a difference between the two groups in the percentage of

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<sup>1</sup>Respondents were asked whether their rent had increased less than \$20, between \$20 and \$50, between \$51 and \$100, between \$100 and \$200 or \$200 or more. For those whose rent had increased, we used the midpoint of the range to calculate the amount of rent paid last year. For those whose rent had not changed or had paid less last year, we estimated last year's monthly rent as the current monthly rent.

households that moved in the past year, there is no evidence suggesting that the moves were due to rent increases related to cash-out.

Another possibility is that some households are choosing to spend more resources on housing after cash-out. The survey evidence does not support this hypothesis, however. Among both ASSETS and comparison households that moved in the past year, about 30 percent or so said wanting a bigger or better place was the reason for their move. Thus, it does not appear that significantly more ASSETS than comparison households are moving into larger housing and therefore increasing their rent.

In sum, most of the difference in rents between ASSETS and comparison counties appears to be a cost-of-living difference between counties that existed prior to cash-out. The amount of rent paid by ASSETS households may have increased slightly faster over the past year, increasing the differential a small amount. Based on the survey, there is no evidence of a community effect whereby landlords are raising rents in response to cash-out, nor does it appear that any sizeable fraction of ASSETS households are choosing to increase their expenditures on housing as a result of cash-out.

## **2.7 RECIPIENTS' PREFERENCES AND OPINIONS ABOUT CASH-OUT AND COUPONS**

In this section we discuss recipients' opinions on checks and coupons. We describe recipients' perceptions of the advantages and disadvantages of each method and which one recipients prefer. We also report recipients' perceptions of the importance of coupons or checks in budgeting household expenditures.

### **Recipients' Preferences for Checks or Coupons**

In order to assess recipients' opinions of the two methods of benefit delivery, we asked ASSETS recipients to name advantages and disadvantages of food stamp coupons and checks. We also asked recipients whether they would prefer to receive coupons or checks, and why.<sup>1</sup>

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<sup>1</sup>We asked the same questions of comparison households but feel that because they did not have experience with both checks and coupons, their responses are less informative. Both groups listed similar advantages and disadvantages to checks and coupons.

More than half of the ASSETS recipients prefer checks because of the lack of restrictions on purchases and the greater convenience relative to food stamp coupons.

Many of the advantages of checks noted by respondents related to three themes: the lack of restrictions on purchases, the convenience of checks, and the reduction of the stigma associated with food stamp coupon purchases. Respondents noted the potential for misuse of benefits (e.g., benefits being used for non-food items or for alcohol, cigarettes or drugs) as a major disadvantage of checks. More than one-third of the ASSETS households, however, identified no disadvantages of checks.

Exhibit 2.23 presents the frequency of advantages of checks identified by ASSETS households. The most common advantage -- that checks can be used for necessities other than food -- was cited by 51 percent of ASSETS recipients. Respondents also identified other advantages related to the lack of restrictions on purchases with checks. For example, 10 percent of ASSETS recipients said that benefits are in cash so "you can buy what you want". Some mentioned greater choice of food stores as another advantage.

Another common theme was the convenience of checks over food stamp coupons. Among ASSETS recipients, 18 percent said checks were more convenient, 7 percent preferred not having to go to the issuance office and 2 percent liked not having to make a trip to the post office. In addition, 3 percent said there were no long waits in line with checks, and 2 percent said checks were easy to cash. Some ASSETS recipients also felt checks were more convenient at the grocery store.

Some respondents also felt that checks offer the advantage of being less embarrassing or less stigmatizing to use than food stamp coupons. Among ASSETS recipients, 9 percent said they felt less embarrassed or more dignified when using checks than when using coupons.

When asked to name the disadvantages of checks, 35 percent of ASSETS recipients reported no disadvantages. The disadvantages that were identified were often related to the potential for misuse of benefits. As shown in Exhibit 2.24, 34 percent of ASSETS recipients said that because checks do not insure that benefits are spent on food, benefits might be misused or that children might go hungry. Similarly, some respondents felt that cash benefits might be used for cigarettes, alcohol or drugs. A few respondents noted some inconveniences of checks, such as late arrival or difficulty in cashing checks.

**Exhibit 2.23****RECIPIENTS' PERCEPTIONS OF THE ADVANTAGES OF CHECKS**

What is good about checks?	Percent of ASSETS households (N=720)
Can be used for necessities other than food	50.6
More convenient	18.2
Better than nothing/need to buy food	16.9
Benefits in cash/buy what you want	10.4
Less stigma/allows you to feel dignified	8.9
No trip to issuance office	6.9
More choice of food stores	4.9
More control over household budget	3.6
No long waiting in line	3.1
No problems at check-out	2.9
No difference/Nothing	2.6
Not difficult to cash	2.4
Allows you to save money	2.4
Like checks/Just prefer checks	2.2
No trip to post office to pick up	1.9
Can budget food expenses better	1.5
Less apt to misplace or lose	1.5
Less likely to be stolen	1.0
Acceptable in most stores	0.6
No comment/no opinion	0.4
Issued same time each month	0.4
OTHER	1.8
DO NOT KNOW	0.7

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.24**

**RECIPIENTS' PERCEPTIONS OF THE  
DISADVANTAGES OF CHECKS**

	Percent of ASSETS households (N=720)
What is not good about checks?	
Nothing	34.7
Misuse benefits	34.4
Money used for alcohol/cigarettes	7.8
Cash used to buy drugs	5.6
Don't get enough	5.3
Have to pay taxes	4.4
Have been late	3.1
Can not budget food expenses well/less control	2.3
Inconvenient/hard to cash/redeem	1.1
Checks less value than stamps	1.0
More likely to be stolen	0.7
Just prefer stamps/like stamps	0.7
Have to pay a fee	0.7
Don't like getting 2 checks per month	0.6
No difference	0.6
Can be late	0.6
Have been stolen	0.6
Don't like getting checks in the mail	0.3
Hard to budget when issued 1st of month	0.3
OTHER	3.4
DO NOT KNOW/NO OPINION	3.9

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Another concern of recipients was that food purchases in Alabama are subject to sales tax: 4 percent of ASSETS households said that having to pay tax was a disadvantage of checks. Under federal law, purchases made with food stamp coupons cannot be taxed. Recipients using cashed-out food benefits do pay taxes on their food purchases. **Some respondents may not have been aware that the State increased ASSETS benefits to compensate recipients for the sales tax.**

The confusion about taxes charged on food purchases is even more apparent when we look at the advantages of coupons named by recipients. As shown in Exhibit 2.25, 15 percent of ASSETS recipients cite no sales tax on food stamp coupon purchases as an advantage of coupons. Another 10 percent of ASSETS recipients said that one gets more with coupons, again probably referring to the sales tax on non-coupon purchases.

The most common advantage of coupons named by recipients was that coupons ensure that benefits are spent on food. This advantage was identified by 44 percent of ASSETS recipients. A few respondents noted advantages related to budgeting household expenses or the convenience of coupons. A number of respondents did not name a specific advantage but said that they need the benefits to buy food: 15 percent of ASSETS recipients felt coupons were better than nothing or were just glad to have the benefits.

When asked to identify disadvantages of food stamp coupons, the most common response was "none." As seen in Exhibit 2.26, 28 percent of ASSETS recipients identified no disadvantages of coupons. The most common disadvantage that was named was the restriction to food purchases: 27 percent of ASSETS recipients felt coupons had a disadvantage in that they could not be used for necessities other than food. Nine percent noted feeling embarrassed or not dignified when using coupons. Some recipients also cited inconveniences related to coupon issuance or use: waiting in line, problems at the checkout lane, trips to the issuance office, fewer choices of food stores.

As shown in Exhibit 2.27, a majority of ASSETS households prefer checks: 60 percent said they prefer checks while only 15 percent prefer food stamp coupons. The remaining 25 percent had no preference between the two methods. A similar pattern of preferences is seen in both the urban and rural counties, though urban households tend to prefer checks more than rural households do. In the urban county, 63 percent of the ASSETS households prefer checks



**Exhibit 2.25**

**RECIPIENTS' PERCEPTIONS OF THE  
ADVANTAGES OF COUPONS**

<b>What is good about coupons?</b>	<b>Percent of ASSETS households (N=720)</b>
Benefits are spent on food	44.3
No taxes charged	15.4
Better than nothing/Need benefits to survive	14.9
Get more with coupons	10.0
Never had coupons	4.9
Nothing	3.6
Can budget food expenses better	2.5
Like coupons/Just prefer coupons	2.4
No difference	2.4
More control over household budget	2.1
Issued same time each month	1.7
Cannot be used to buy alcohol/cigarettes	1.4
More convenient	0.8
Allows you to save money	0.8
Are not difficult to cash	0.3
Cannot be used to buy drugs	0.3
Less likely to be stolen	0.1
Are never late	0.1
Less likely to misplace or lose	0.1
Acceptable in most stores	0.1
OTHER	5.0
DO NOT KNOW	5.6

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.26****RECIPIENTS' PERCEPTIONS OF THE  
DISADVANTAGES OF COUPONS**

What is not good about coupons?	Percent of ASSETS households (N=720)
Nothing	28.2
Can't be used for necessities other than food	27.4
Feel embarrassed/not dignified	9.3
Sell stamps at cheap price for cash	5.6
Inconvenient/Not easy to cash/redeem	4.4
Involves standing in line for long time	3.6
Fewer choices of food stores	3.2
Causes problems at check-out	3.2
Have to go to issuance office	2.6
Easy to misplace or lose	2.5
No difference	1.3
More likely to be stolen	1.1
Cannot budget food expenses well	1.1
Are difficult to redeem	1.1
Give less control over household budget	1.1
Misuse benefits	1.0
Have been stolen	0.3
Issued 1st of month so it's hard to budget	0.3
Spouse/child won't use coupons	0.1
Hours post office is open makes it difficult to get there	0.1
Forced to pay higher prices	0.1
Limited on what you can buy with coupons (e.g., cannot buy live animals - pigs, chickens)	0.1
OTHER	10.0
DO NOT KNOW/NO COMMENT	8.5

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.27****RECIPIENTS' PREFERENCES FOR COUPONS OR CHECKS  
FOR FOOD STAMP BENEFITS**

Preference	Percent of ASSETS households		
	Urban (N=494)	Rural (N=226)	All 3 Counties (N=720)
Food stamp coupons	16.4	11.1	14.7
Checks	62.6	53.1	59.6
No preference	20.0	35.4	24.9

Preference	Percent of comparison households		
	Urban (N=453)	Rural (N=198)	All 3 Counties (N=651)
Food stamp coupons	49.9	49.5	49.8
Checks	36.2	18.2	30.7
No preference	12.8	30.8	18.3

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

and 16 percent prefer coupons. This compares to 53 percent for checks and 11 percent for coupons among households in the rural ASSETS counties.

In contrast, more recipients in the comparison counties felt that they would prefer food stamp coupons over checks for food stamp benefits (see Exhibit 2.27). Fifty percent of comparison recipients prefer coupons, while only 31 percent prefer checks. The recipients in the comparison counties have no experience actually receiving benefits in the form of checks and so their preferences may to some extent reflect a preference for the system they know.

The reasons recipients gave for preferring coupons or checks were parallel to the advantages cited above. Exhibit 2.28 lists the reasons noted by ASSETS recipients who prefer checks. Not surprisingly, recipients who prefer checks do so because they can buy other necessities and because of the greater convenience of checks.

Recipients who prefer coupons largely do so because they believe the amount of benefits received would be higher with coupons: 43 percent of ASSETS recipients who prefer coupons do so because they feel they would get more with coupons, and 20 percent prefer coupons because no taxes are charged on coupon purchases (see Exhibit 2.29). Coupon preferrers also liked the fact that coupons make sure benefits are spent on food: this reason was cited by 26 percent of ASSETS recipients who prefer coupons.

We also asked ASSETS participants who applied for benefits after cash-out was implemented whether cash-out had any impact on their decision to apply for benefits. Of those who applied since cash-out began, nearly two-thirds said that they were not aware that food stamp benefits were being issued by check when they applied for benefits (see Exhibit 2.30). Of those who knew about cash-out, 98 percent said they would have applied in any case; only two respondents (2 percent) said they would not have applied for coupons. We also asked respondents how they would react if the program switches back to food stamp coupons. Nearly all (96 percent) of those who joined the program since cash-out said they would stay in the program if their benefits switch to coupons. Only 2 percent said they would leave the program, and 2 percent were not sure. These findings suggest that the choice of benefit delivery mechanism (check or coupon) did not have a large impact on participants' decision to apply for food stamp benefits.

**Exhibit 2.28**

**REASONS FOR PREFERRING CHECKS**

<b>Reason</b>	<b>Percent of ASSETS households who prefer checks (N=429)</b>
Can be used for necessities other than food	42.7
More convenient	29.1
Less stigma/feel dignified	12.1
Can buy what you want with cash benefits	11.2
No trip to issuance office	6.5
More choices of food stores	4.4
More control over household budget	4.4
Just prefer checks/like checks	4.2
Can budget food expenses better	2.8
Not difficult to cash	2.6
No long wait in line	2.1
No problems at checkout	1.9
Better than nothing/Need benefits	1.9
Less likely to be stolen	1.6
Allows you to save money	1.4
Less apt to misplace or lose	1.2
Don't have to go to post office to pick up	1.2
Have to go to issuance office	0.2
OTHER	2.7

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.29**

**REASONS FOR PREFERRING FOOD STAMP COUPONS**

Reason	Percent of ASSETS households who prefer coupons (N=106)
Get more with stamps	42.5
Make sure benefits spent on food	26.4
No taxes charged	19.8
Like stamps/Just prefer stamps	10.4
More control over household budget	9.4
More convenient	4.7
Issued same time each month	4.7
Can budget food expenses better	2.8
Can't be used for necessities	1.9
Less likely to be stolen	0.9
Not difficult to cash	0.9
Less apt to misplace or lose	0.9
Nothing	0.9
OTHER	3.6
DON'T KNOW	2.8

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.30****HOUSEHOLDS THAT JOINED ASSETS PROGRAM AFTER  
IMPLEMENTATION OF CASH-OUT**

	ASSETS Households only	
	Number	Percentage <sup>a</sup>
Number of households that began receiving ASSETS benefits after cash-out	263	--
At the time you applied, did you know that government food benefits were available to some people as food checks instead of food stamps?		
Yes	90	34.2 %
No	171	65.0
If benefits in the form of checks had not been available, would you have applied for food stamps?		
Yes	88	97.8 %
No	2	2.2
If your benefits are switched to food stamps, will you stay in the program?		
Yes	248	94.3 %
No	6	2.3
Don't Know	4	1.5

Note: a. Percentages may not sum to 100 because of a small number of missing cases.

## **Recipients' Opinions on Budgeting with Checks and Coupons**

Based on the advantages and disadvantages noted above, some recipients feel that checks offer the advantage of not being restricted to food purchases, while other recipients feel coupons have an advantage because they can be used only to purchase food. We asked recipients whether they agree or disagree with two statements about the impact of restricted benefits on food expenditures and budgeting. As Exhibit 2.31 shows, close to half of ASSETS recipients agree or strongly agree with the statement that coupons are more helpful than checks in planning and budgeting food expenditures. Forty-one percent of ASSETS recipients disagree or strongly disagree with that statement, however. Similarly, more than half (57 percent) of ASSETS recipients agree or strongly agree that coupons give more control over food spending than do checks.

Whether a recipient agrees or disagrees with these statements is highly correlated with his or her preference for checks or coupons. As seen in Exhibit 2.32, over 90 percent of ASSETS recipients who prefer coupons agree or strongly agree that coupons are more helpful in budgeting than checks. Among those who prefer checks, more than half disagree or strongly disagree with the statement. Even among those who prefer checks, however, about one-third of ASSETS recipients agree or strongly agree that coupons are more helpful in budgeting food expenses.

The respondents who prefer coupons may do so because they feel coupons are more helpful in budgeting food expenditures. In contrast, many of those who prefer checks apparently do not feel there is much difference between checks and coupons in their budgeting or planning of food expenses.

## **Experiences with ASSETS Checks**

We asked ASSETS participants a number of questions about cashing ASSETS checks in order to ascertain whether participants had experienced any problems and to determine if they are incurring large costs to cash their checks.

As seen in Exhibit 2.33, the majority of participants cashed their most recent ASSETS check in a supermarket or grocery store (65 percent of households). Another 26 percent cashed their ASSETS checks at financial institutions. Of the remaining households, most cashed their



**Exhibit 2.31**

**RECIPIENTS' OPINIONS ON BUDGETING WITH  
CHECKS AND COUPONS**

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	Percent of ASSETS households (N=720)
<hr/>	
Food stamp coupons are more helpful than checks in planning and budgeting the households's food expenses	
Strongly agree	11.9%
Agree	35.8
Disagree	36.1
Strongly disagree	4.9
Don't know	11.3
Food stamp coupons give more control than a check over the household's food spending	
Strongly agree	12.8%
Agree	43.9
Disagree	30.8
Strongly disagree	2.6
Don't know	9.9

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Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.32****RECIPIENTS' OPINIONS ON BUDGETING BY PREFERENCE**

	Percent of ASSETS households who		
	Prefer coupons (N=106)	Prefer checks (N=429)	Have no preference (N=179)
<b>Coupons are more helpful than checks in budgeting and planning the household's food expenses</b>			
Strongly agree	47.2%	5.6%	6.1%
Agree	46.2	25.9	53.6
Disagree	4.7	50.6	20.1
Strongly disagree	0.0	7.9	0.6
Don't know	1.9	10.0	19.6
<b>Coupons give more control than checks over the household's food spending</b>			
Strongly agree	44.3	6.5	8.9
Agree	48.1	38.9	54.2
Disagree	6.6	40.6	21.2
Strongly disagree	0.0	4.4	0.0
Don't know	0.9	9.6	15.6

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

**Exhibit 2.33**

**RECIPIENTS' EXPERIENCES CASHING ASSETS CHECKS**

	Percent of ASSETS households (N=720)
<b>Place where household's most recent ASSETS check was cashed</b>	
Supermarket or grocery store	64.6%
Bank	26.4
Other food store	4.7
Non-food store	0.3
Check-cashing business	1.7
Deposited in bank	1.8
Other	0.5
<b>Was a purchase required to cash check?</b>	
Yes	19.1%
No	80.9
<b>Was a fee charged to cash check?</b>	
Yes	15.1%
No	84.9
<b>Distribution of fee paid<sup>a</sup></b>	
\$1.00 or less	39.8%
\$1.01 - 2.00	39.8
\$3.00 - 5.00	13.6
\$6.00 or more	6.8
Mean fee paid <sup>a</sup>	\$2.55
Median fee paid <sup>a</sup>	\$2.00

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: a. Includes only those households who paid a fee to cash their ASSETS checks.

ASSETS check at a food store other than a supermarket or grocery store. A small percentage of households cashed their most recent check at a check-cashing business (2 percent) or deposited it in a bank (2 percent).

Retail stores may require participants to make a purchase in order to cash a check. As shown in Exhibit 2.33, 19 percent of households reported that they were required to make a purchase in order to cash their most recent ASSETS check. However, the requirement to make a purchase varies between the urban and rural counties: only 11 percent of households in the rural counties were required to make a purchase compared to 23 percent of all households in the urban county.

Most participants did not have to pay a fee in order to cash their most recent ASSETS check. Overall, only 15 percent of households reported paying a fee. Households in the rural counties were slightly more likely to pay a fee (18 percent compared to 14 percent who paid a fee in the urban county). Most households that paid a fee reported a dollar amount, and a few reported paying a percentage of their check. Most of the households (that paid a fee) were charged one or two dollars to cash their ASSETS check. The fee amounts ranged from \$1 to \$11 while the percentage fees ranged from 1 to 10 percent of the check. The median fee paid was \$2 (see Exhibit 2.33).

Only a few respondents reported ever having a problem cashing their ASSETS check. As shown in Exhibit 2.34, 92 percent of households reported no problems cashing ASSETS checks. A few respondents had experienced problems: 3 percent reported not having the proper identification required to cash the check, and close to 3 percent also reported a store had refused to cash an ASSETS check. Overall, the incidence of problems cashing ASSETS checks appears to be quite low.

**Exhibit 2.34**

**PROBLEMS CASHING ASSETS CHECKS**

Type of problem	Percent of ASSETS households (N=720)
No problems	92.3%
Did not have the ID required	2.9
Store did not have enough money to cash the check	0.8
Store refused to cash check	2.6
Store had a limit of size of check that could be cashed without a purchase	1.1
Store kept unused part of check as a credit rather than cash	0.0
Other problem	2.2

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

## **2.8 THE EFFECTS OF CASH-OUT ON DIFFERENT TYPES OF HOUSEHOLDS**

Given the difference in food expenditures observed between the ASSETS and comparison households, it is important to determine whether this difference is concentrated among certain types of households. In this section we look at households in two ways: first, we divide households into subgroups based on demographic characteristics, and second, we look at households whose spending on food is lower than average on a per-person basis. In each case, we compare food expenditures and recipients' perceptions of their food adequacy for the ASSETS and comparison households.

### **Demographic Subgroups**

We divided all households into three types: households with children, households with elderly members only, and households with other adults.<sup>1</sup> These types of households are likely to have different expenditure patterns, and might respond differently to cash-out. We compare food and non-food expenditures in the ASSETS and comparison counties for each type of household. We then compare their perceptions of the adequacy of their food supply.

Exhibit 2.35 shows the monthly expenditures for the three types of households. Considering first households with children, (which make up about 60 percent of all households), ASSETS households with children spent considerably less on food than comparison households with children. The difference of \$71, or 24 percent, is statistically significant. Total expenditures were about the same for both ASSETS and comparison households with children. ASSETS households with children spent significantly more on non-food categories such as housing and transportation than did comparison households.

In contrast, households that include only elderly members show no significant differences in expenditure patterns between ASSETS and comparison counties. Food expenditures per AME

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<sup>1</sup>We also compared food expenditures for two other types of households: (1) households with an employed head versus those with a not-employed head of household, and (2) households with children that include only one adult member, versus households with children that have more than one adult member. In both cases, the difference-in-means between ASSETS and comparison households was similar for the two subgroups. For example, the difference in total food expenditures per AME between ASSETS and comparison households was \$22 for employed heads of households compared to a difference of \$24 for not-employed.

**Exhibit 2.35**

**MEAN FOOD AND TOTAL EXPENDITURES BY TYPE OF HOUSEHOLD**

Monthly Expenditures	Households with children			Households with elderly only		
	ASSETS households	Comparison households	Absolute difference	ASSETS households	Comparison households	Absolute difference
<u>Expenditures Per Household</u>						
Expenditures on food from stores	\$195.57	\$268.06	-\$72.49**	\$95.06	\$102.92	-\$7.86
Expenditures on food away from home	29.51	28.20	1.31	5.70	5.90	-0.20
<b>Total food expenditures</b>	225.31	296.45	-71.14**	100.85	108.73	-7.88
<b>Total non-food expenditures</b>	582.44	501.74	80.70**	290.53	311.50	-20.97
<b>Total expenditures</b>	808.44	797.77	10.67	392.12	416.71	-24.59
<u>Expenditures Per Adult Male Equivalent (AME)</u>						
Expenditures on food from stores per AME	\$80.61	\$108.04	-\$27.43**	\$128.17	\$132.99	-\$4.82
Expenditures on food away from home per AME	12.76	12.24	0.53	8.25	7.29	0.96
<b>Total food expenditures per AME</b>	93.52	120.42	-26.90**	136.57	140.74	-4.17
Sample size	407	399		120	106	

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: Components may not sum to totals because of slight differences in sample sizes due to missing data.

\*\* Significant at the 1-percent level.

\* Significant at the 5-percent level.

Exhibit 2.35

MEAN FOOD AND TOTAL EXPENDITURES  
BY TYPE OF HOUSEHOLD (continued)

Monthly Expenditures	Households with non-elderly adults*		
	ASSETS households	Comparison households	Absolute difference
<u>Expenditures Per Household</u>			
Expenditures on food from stores	\$100.43	\$128.42	-\$27.99**
Expenditures on food away from home	18.92	10.89	8.03*
<b>Total food expenditures</b>	119.45	139.47	-20.02*
<b>Total non-food expenditures</b>	347.93	336.23	11.70
<b>Total expenditures</b>	468.64	476.19	-7.55
<u>Expenditures Per Adult Male Equivalent (AME)</u>			
Expenditures on food from stores per AME	\$87.88	\$125.12	-\$37.24**
Expenditures on food away from home per AME	15.97	9.42	6.55*
<b>Total food expenditures per AME</b>	103.93	134.67	-30.74**
Sample size	189	142	

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: Components may not sum to totals because of slight differences in sample sizes due to missing data.

\*Also includes 41 households that have both non-elderly and elderly members (and no members under 18).

\*\* Significant at the 1-percent level.

\* Significant at the 5-percent level.



were \$136.57 in the ASSETS counties compared to \$140.74. The difference of about \$4 is not statistically significant. One hypothesis for this finding is that the elderly are more "set in their ways" and may have fewer income-fluctuations, and thus be less likely to change their expenditure patterns due to a change in benefit form.

ASSETS households with non-elderly adults spent about \$20 (22 percent) less per month on food than similar comparison households.<sup>1</sup> This difference is statistically significant. In this subgroup, ASSETS households spent significantly more on food away from home. ASSETS households spent about \$19 away from home compared to \$11 per month for comparison households. The difference of \$8 or 73 percent is significant. These households may have shifted some of their food expenditures to food away from home in place of food purchased at stores for use at home.

The ASSETS-comparison group differences vary considerably across the three types of households. ASSETS households with children spend about 24 percent less on food per month than comparison households with children; in contrast, ASSETS households with elderly only spent 7 percent less than elderly comparison households, and the difference is not significant. These findings suggest that the effects of cash-out differ across household types.<sup>2</sup>

Given the varying size of the ASSETS-comparison difference in food expenditures, we might expect to see some differences across subgroups in households' perceptions of the adequacy of their food supply. As discussed below, households' perceptions of food adequacy do vary across the household types.

Considering households with children, fewer ASSETS households report that they have enough of the kinds of food they want to eat, yet more report having enough to eat but not always the kinds they want, relative to comparison households (see Exhibit 2.36). If we sum these two responses, 86 percent of ASSETS households with children report having enough to eat compared to 85 percent of comparison households with children (the difference is not

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<sup>1</sup>This subgroup includes households with only non-elderly adults and households with both elderly and non-elderly adults.

<sup>2</sup>Given the research design, however, we cannot rule out the possibility that some or all of the differences in spending patterns between ASSETS and comparison households existed prior to cash-out.

**Exhibit 2.36**

**PERCEPTIONS OF FOOD SUFFICIENCY  
AMONG HOUSEHOLDS WITH CHILDREN**

	<b>ASSETS households (N=407)</b>	<b>Comparison households (N=398)</b>	<b>Absolute difference</b>
<b>Percent of households reporting:</b>			
Enough of the kinds of food we want to eat	27.0	36.9	-9.9**
Enough but not always the kinds of food we want to eat	59.0	48.2	10.8**
Sometimes not enough to eat	10.6	10.8	-0.2
Often not enough to eat	3.4	4.0	-0.6
<b>Percent of households reporting any days last month with no food, money or food stamps</b>			
	17.0	22.8	-5.8*
<b>Percent of households reporting skipping meals last month because there wasn't enough food, money or food stamps</b>			
	7.1	6.0	1.1

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

significant). Fewer ASSETS households than comparison households with children report that there were days last month when they had no food, no food benefits, and no money to buy food. Thus, despite spending about 24 percent less on food than comparison households with children, ASSETS households with children do not perceive a less adequate food supply.

Among households with elderly members only, there was little difference in food expenditures between ASSETS and comparison households. Yet, as shown in Exhibit 2.37, more ASSETS households report not having enough to eat. Eleven percent of elderly ASSETS households report sometimes or often not having enough to eat, compared to 4 percent of elderly comparison households. This difference of 7 percentage points is significant at the 5-percent level. Elderly ASSETS households do not report running out of food and resources or skipping meals significantly more often than elderly comparison households, however. Despite no significant difference in food expenditures between the two groups, elderly ASSETS perceive their food supply to be less adequate in some ways than do elderly comparison households.

ASSETS households with elderly and non-elderly adults appear to perceive their food supply as less adequate than do their comparison group counterparts. As shown in Exhibit 2.38, 24 percent of ASSETS households report sometimes or often not having enough to eat, compared to 15 percent of comparison households. This difference of 9 percentage points is significant at the 5-percent level. More ASSETS households report running out of food, money, and food benefits, and more ASSETS households report skipping meals due to a lack of food and money. These ASSETS households spent about 22 percent less on food and also perceive a less adequate food supply than their comparison counterparts.

The ASSETS-comparison differences in food expenditures and in perceptions of food adequacy vary considerably across the three types of households. Households' perceptions of the adequacy of their food supply do not appear to be highly correlated with differences in food spending, however. Among households with children, ASSETS households report spending considerably less on food than comparison households, yet they do not report a less adequate food supply. In contrast, elderly ASSETS and comparison households report similar food expenditures, yet the ASSETS households perceive their food supply as less adequate. These findings emphasize that we cannot draw conclusions about food intake or adequacy of diet based solely on food expenditure data.

**Exhibit 2.37**

**PERCEPTIONS OF FOOD SUFFICIENCY  
AMONG HOUSEHOLDS WITH ELDERLY ONLY**

	ASSETS households (N=120)	Comparison households (N=106)	Absolute difference
Percent of households reporting:			
Enough of the kinds of food we want to eat	40.0	33.0	7.0
Enough but not always the kinds of food we want to eat	49.2	63.2	-14.0*
Sometimes not enough to eat	8.3	3.8	4.5
Often not enough to eat	2.5	0.0	2.5
Percent of households reporting any days last month with no food, money or food stamps			
	6.7	10.6	-3.9
Percent of households reporting skipping meals last month because there wasn't enough food, money or food stamps			
	4.2	2.8	1.4

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

**Exhibit 2.38**

**PERCEPTIONS OF FOOD SUFFICIENCY  
AMONG HOUSEHOLDS OF ADULTS<sup>a</sup>**

	ASSETS households (N=188)	Comparison households (N=142)	Absolute difference
Percent of households reporting:			
Enough of the kinds of food we want to eat	26.6	27.5	-0.9
Enough but not always the kinds of food we want to eat	40.5	52.7	-12.2
Sometimes not enough to eat	16.0	10.6	5.4
Often not enough to eat	8.0	4.2	3.8
Percent of households reporting any days last month with no food, money or food stamps			
	31.9	20.0	11.9*
Percent of households reporting skipping meals last month because there wasn't enough food, money or food stamps			
	17.5	6.3	11.2**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: a. Households that have only non-elderly adult members (age 18-59) or that have non-elderly and elderly adult members.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

## **Households in the Top and Bottom Quartiles of Food Expenditures**

Given the difference in food expenditures observed between ASSETS and comparison households, it is important to determine whether this difference is concentrated among households that spend less than average on food per adult male equivalent. While there is no evidence that households in the lower end of the distribution have less adequate diets, there is concern that these households may be more vulnerable.

To investigate whether the difference in expenditures between ASSETS and comparison households was greater or smaller for households at the extremes of food spending, we computed key outcome measures for households in the top and bottom quartiles of food spending. The bottom quartile is defined as households who spent less than the 25th percentile on food per AME. The top quartile is defined as households who spent more than the 75th percentile on food per AME.

Exhibit 2.39 presents mean expenditures for households in the bottom and top quartiles of food spending. ASSETS households in both the top and bottom quartiles of the distribution spent considerably less than comparison households on food. ASSETS households in the bottom quartile spent \$18.94 (30 percent) less than comparison households in the bottom quartile. Among those in the top quartile, ASSETS households spent \$31.78 (15 percent) less than comparison households. This finding suggests that, in percentage terms, the ASSETS-comparison difference in food expenditures per AME was greater at the lower end of the distribution.

While ASSETS households in both the top and bottom quartiles spent less on food than their counterparts in the comparison counties, we can also examine the entire pattern of spending by comparing the percentile distributions for the two groups. Exhibits 2.40 and 2.41 present the percentile distributions of households ordered by spending per AME on food at home and total food expenditures, respectively. The percentile distribution shows the level of expenditures by the household at each point in the cumulative frequency distribution, e.g., the spending of the household at the 10th percentile, the 25th, the median, and so on. The exhibits show the difference in food expenditures between ASSETS and comparison households at each percentile of the distribution (the difference in spending between the two groups is measured by the horizontal distance on the graph). ASSETS households spent less than comparison households

**Exhibit 2.39**

**MEAN EXPENDITURES FOR HOUSEHOLDS IN TOP AND BOTTOM QUARTILES**

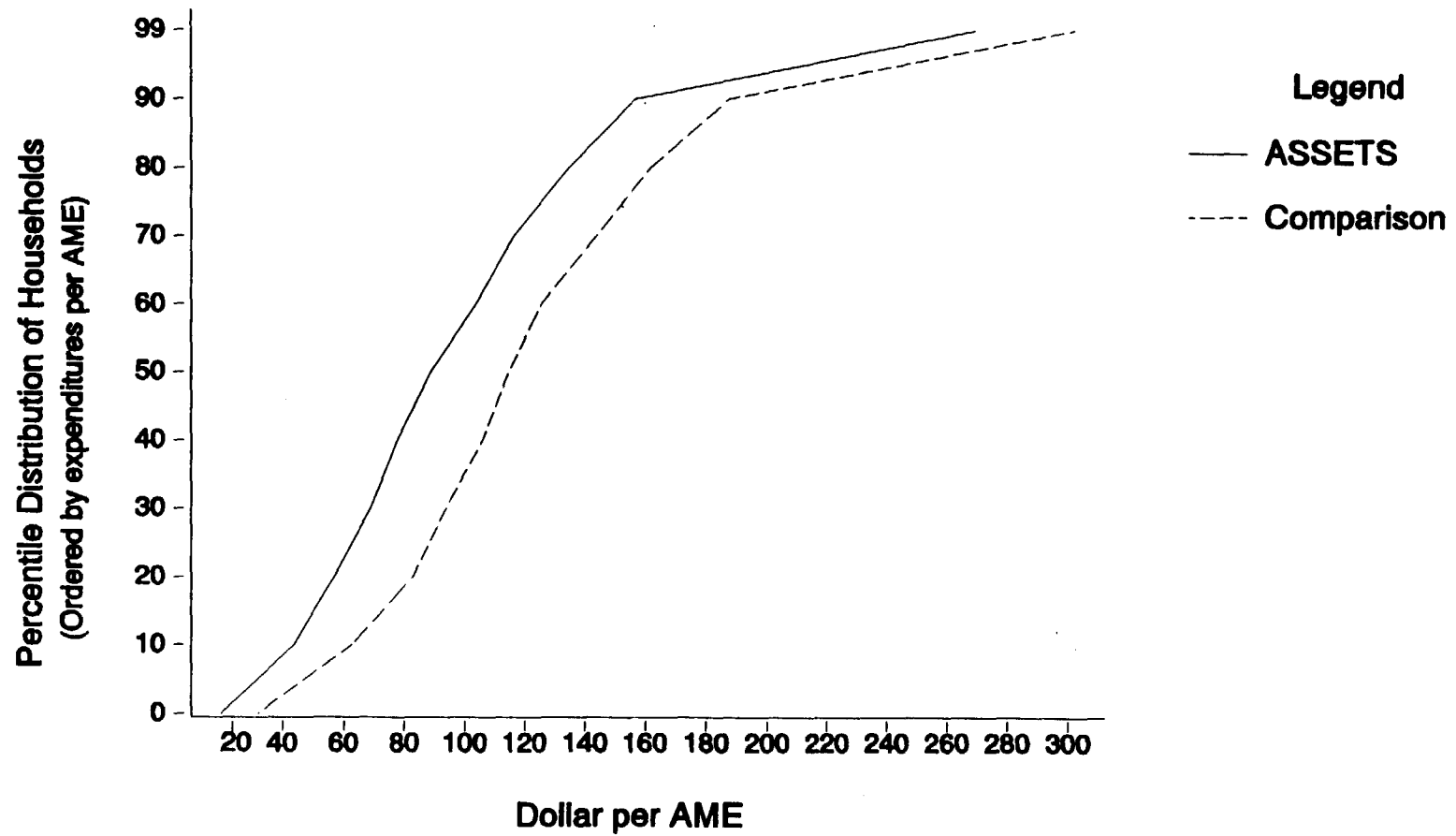
Monthly Expenditures	Bottom quartile			Top quartile		
	ASSETS households	Comparison households	Difference	ASSETS households	Comparison households	Difference
<u>Expenditures Per Household</u>						
Expenditures on food from stores	\$98.23	\$154.27	-\$55.35**	185.94	\$248.45	-\$62.52**
Expenditures on food away from home	10.19	9.31	0.88	36.16	39.05	-2.89
<b>Total food expenditures</b>	109.16	163.71	-54.55**	222.10	287.50	-65.40**
<b>Total non-food expenditures</b>	447.07	496.04	-48.97	449.69	354.11	95.58*
<b>Total expenditures</b>	559.55	659.93	-100.38*	671.79	641.61	30.18
<u>Expenditures Per Adult Male Equivalent (AME)</u>						
Expenditures on food from stores per AME	40.69	60.73	-\$20.04**	150.44	185.35	-34.91**
Expenditures on food away from home per AME	4.20	3.29	0.91	27.01	23.88	3.13
<b>Total food expenditures per AME</b>	45.02	63.97	-18.94**	177.45	209.23	-31.78**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\*Significant at the 1-percent level.

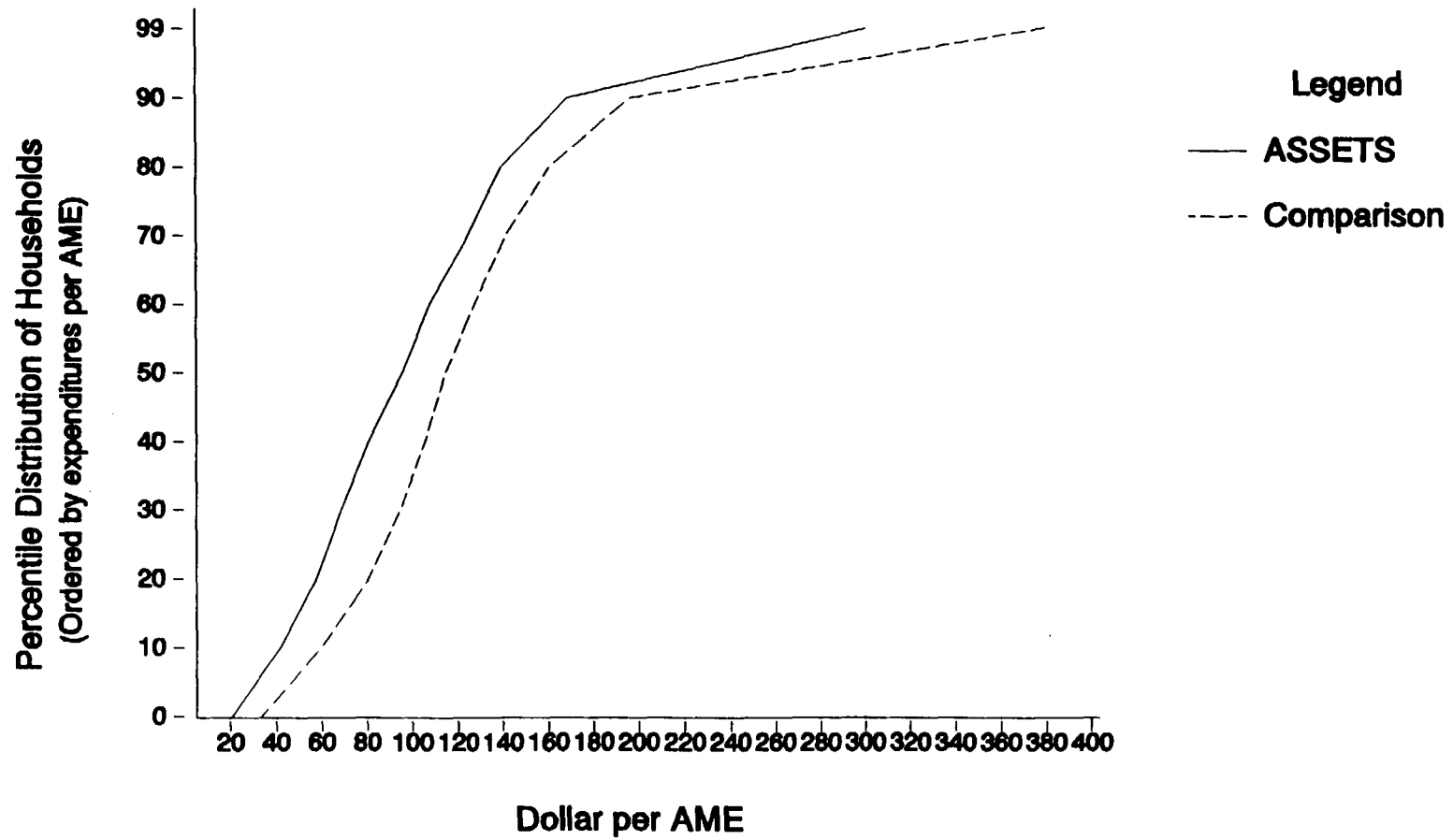
\* Significant at the 5-percent level.

**Exhibit 2.40**  
**Expenditures for Food at Home**





**Exhibit 2.41**  
**Total Expenditures for Food**



at each percentile. In other words, the difference in spending occurred throughout the distribution, i.e., the ASSETS and comparison lines do not cross at any point.

While the ASSETS-comparison difference in food expenditures per AME was larger at the lower end of the percentile distribution, there is little evidence in differences in households' perceptions of the adequacy of their food supply. Exhibit 2.42 compares households' perceptions of the adequacy of their food supply for households in the bottom quartile of food spending per AME. About 11 percent fewer ASSETS households report having enough of the kinds of food they want to eat. Nonetheless, 80 percent of ASSETS households in this quartile report having enough to eat, compared to 82 percent of comparison households. The difference is not statistically significant. There is also no significant difference between ASSETS and comparison households in the percentage of households reporting that they ran out of food, benefits, and money. Significantly more ASSETS households report skipping meals because of a lack of food, however. Fourteen percent of ASSETS households skipped meals, compared to 8 percent of comparison households. These results are similar to the results for the entire sample: there is mixed evidence on ASSETS households' perceptions of the adequacy of their food supply. Similar proportions of ASSETS and comparison households report having enough to eat, but more ASSETS households report skipping meals due to a lack of food and resources.

## **2.9 INTERPRETATION OF THE FINDINGS FOR PARTICIPATING HOUSEHOLDS**

In this section, we summarize the key findings and discuss various interpretations of the results and their implications for food stamp policy.

The key finding is that, per adult male equivalent, ASSETS households spent about 18 percent less than comparison households on food. Despite the difference in food expenditures, total expenditures per household were similar for both groups. ASSETS households spent a larger portion of their budgets on housing, utilities, and transportation, and a smaller portion on food, than did comparison households. ASSETS households did not spend significantly more of their food budgets on food away from home than comparison households.

While food expenditures differ considerably between the ASSETS and comparison households, because of the quasi-experimental research design we cannot necessarily assume that the (entire) difference is a result of cash-out. The key question is whether the mean food

**Exhibit 2.42**

**PERCEPTIONS OF FOOD SUFFICIENCY AMONG  
HOUSEHOLDS IN THE BOTTOM QUARTILE OF FOOD SPENDING**

	ASSETS households (N=189)	Comparison households (N=171)	Absolute difference
Percent of households reporting:			
Enough of the kinds of food we want to eat	25.4	36.3	-10.9*
Enough but not always the kinds of food we want to eat	54.0	45.6	8.4
Sometimes not enough to eat	15.9	15.2	0.7
Often not enough to eat	4.2	2.3	1.9
Percent of households reporting any days last month with no food, money or food stamps			
	24.9	24.0	0.9
Percent of households reporting skipping meals last month because there wasn't enough food, money or food stamps			
	14.3	7.6	6.7*

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, two-tailed test.

\* Significant at the 5-percent level, two-tailed test.

expenditures of comparison households are a good approximation of what food expenditures by ASSETS households would have been in the absence of cash-out. In the absence of an experimental or random assignment design, attributing the difference to cash-out alone may be misleading. Matching counties to conduct a treatment/comparison group analysis is always less than ideal: finding the perfect match is never possible. To the extent that the differences in the caseloads between counties are captured by household characteristics, we can control for these differences in a multivariate regression analysis. Unfortunately, there may be county-level differences or unmeasured household-level differences that affect expenditure patterns or levels (and which are unrelated to cash-out).<sup>1</sup> Expenditure patterns may have differed between the two groups prior to cash-out due to differences in the local economy, housing market, or transportation infrastructure across counties.

There are four possible explanations for the difference in food expenditures between ASSETS and comparison households:

- Food expenditures were lower in the ASSETS counties than in the comparison counties prior to cash-out;
- Changes in the composition of the caseload in the ASSETS counties since cash-out resulted in a decrease in mean food expenditures;
- Recipients of cashed-out food benefits systematically underreport food expenditures to a greater degree than food stamp coupon recipients; or,
- ASSETS households decreased their food expenditures after cash-out.

Our belief is that the difference in food expenditures is explained by a combination of these factors. That is, some of the difference in food expenditures between the two groups is due to a shift in expenditures as a result of cash-out, and some may be due to pre-existing differences and differential measurement error.

There is some evidence of differences in expenditures between the two groups prior to cash-out. One striking difference between the two groups is the difference in housing costs, particularly rent levels, in the counties. On average, ASSETS households that rent pay about

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<sup>1</sup>We cannot include county-level variables other than the ASSETS and rural county indicator variables in the multivariate regression analysis because of insufficient degrees of freedom.

50 percent more for housing than do comparison households that rent. The evidence suggests that most of the rent differential existed prior to cash-out. Thus, it appears that even in the absence of cash-out, ASSETS households would have spent a larger share of their budgets on housing, and may have spent less on food as a result.

A second possibility is that cash-out affected mean food expenditures not by changing the expenditures of those on the caseload, but by changing the composition of the caseload. For example, there may be eligible households that apply under cash-out who would not participate in the coupon system; these households may desire to spend less on food relative to those already in the program. Entry of these households into the caseload would decrease the mean level of food expenditures in the ASSETS counties.

We divided the sample in two different ways in order to investigate whether this sort of selection bias exists. First, looking at ASSETS households only, we compared the mean food expenditures of households that were receiving food stamps at the time when cash-out was implemented to those who began receiving benefits after cash-out. Mean food expenditures and total expenditures for these two groups were very similar. Households that were not receiving benefits at the time of the switch spent slightly less on food, on average, though the difference is not significant. Thus, it does not appear that those joining the program after cash-out were somehow different from the existing caseload in ways that affected mean food expenditures in the ASSETS counties.

As a second check on the possible existence of a selection effect, we divided the sample (including both ASSETS and comparison households) into those who had been on food stamps less than one year, and those who had been receiving benefits for more than a year. Mean food expenditures for new entrants (those receiving benefits for a year or less) in the ASSETS counties are significantly below the mean for new entrants in the comparison counties. Total food expenditures per AME are about 16 percent lower for new ASSETS entrants than for new comparison entrants. For those who have been on the program more than a year, the ASSETS households spent about 20 percent less per AME than comparison households. Again, the evidence does not suggest that the newer cases have substantially different expenditure patterns. Thus, there is no evidence that changes in the caseload after cash-out affected expenditure patterns in the ASSETS counties.

Another explanation for (some of) the difference in food expenditures between ASSETS and comparison households may be differential measurement error. According to this hypothesis, households that receive coupons are more aware of the total amount of money they spend on food compared to households that receive benefits in a check. Using food stamp coupons makes the recipients more conscious of what they spend on food, possibly because they know the total amount of food stamp coupons they receive, or because it is easier to distinguish between food transactions and other transactions when using coupons than when using cash.

Evidence from another cash-out study suggests that recipients do underreport food expenditures.<sup>1</sup> This study found that reported food expenditures were about 20 percent lower than the estimated expenditures based on food use data. While we have no data on the actual measurement error for the two groups and cannot prove that underreporting is worse when benefits are issued by check, it is certainly plausible that coupon recipients are better able to recall food spending than check recipients.

While there is some evidence of cross-county differences that affected spending levels prior to cash-out, it seems likely that some decrease in food expenditures occurred since cash-out. In other words, the difference in food expenditures between ASSETS and comparison households is not entirely due to pre-existing county differences and differential measurement error. If we compare mean food expenditures in each of the matched county pairs, mean food expenditures are lower for households in each ASSETS county than for households in its respective matched comparison county. Even in the pair of counties with only a small difference in rent levels, food expenditures are about 12 percent lower (per AME) for ASSETS than for comparison households.<sup>2</sup> In addition, as discussed in the next chapter, food retailers report that food sales have decreased, in their view, as a result of cash-out. A decrease in food sales is consistent with a reduction in food expenditures by ASSETS households.

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<sup>1</sup>Thomas M. Fraker, et al, The Evaluation of the Alabama Food Stamp Cash-out Demonstration, Volume II, Mathematica Policy Research, Inc., Washington, D.C., 1992.

<sup>2</sup>Mean food expenditures for each matched pair are shown in Appendix B. The difference in total food expenditures per AME between Clarke and Butler Counties is significant at the 10 percent level (one-tailed test).

Despite the difference in food expenditures between the two groups, total expenditures are about the same so that ASSETS households must spend more on some non-food categories than comparison households. In addition to housing, ASSETS households spend more than comparison households on transportation. There is no evidence to suggest that the difference in transportation expenditures reflects pre-existing differences such as structural differences across counties in the availability or cost of transportation. Also, it seems unlikely that the difference is due to a community effect, e.g., that gas stations have increased prices in response to cash-out. Thus, the difference in transportation expenses may reflect a shift in consumption patterns related to cash-out.

The survey shows that ASSETS households spend more, in particular, on car-related expenses. One hypothesis is that these are the types of expenses that households may tend to defer when money is tight. The proportion of households that had expenditures for car repair, car maintenance, car insurance or car payments is about 8 percentage points higher for ASSETS households than comparison households, which is statistically significant (29.4 percent compared to 21.5 percent for comparison households).<sup>1</sup> The mean level of expenditures (for those reporting car-related expenditures other than gasoline) is \$20 higher for ASSETS households, though the difference is not significant. It is plausible that this difference in expenditure patterns represents a shift in consumption patterns related to cash-out.

In sum, factors such as measurement error and pre-existing rent differentials may explain part of the difference in food expenditures between ASSETS and comparison households. These factors are difficult to quantify, yet it seems unlikely that they account for the entire difference in food expenditures between the two groups. Evidence suggests that some shifting of consumption patterns occurred, in particular that ASSETS households are spending more on transportation and perhaps housing as well, as a result of cash-out.

Despite the difference in food expenditures between the two groups, the evidence available generally suggests that ASSETS households are not running out of food or taking actions because of a lack of food more often than comparison households. Over 80 percent of

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<sup>1</sup>The percentage of households with car-related expenses including gasoline is 62.6 percent for ASSETS households and 58.7 percent for comparison households. This difference of 4 percentage points is not statistically significant.

households in both groups report having enough to eat, though not always the kinds of food they would prefer. However, ASSETS households report skipping significantly more meals due to insufficient food than do comparison households. Nine percent of ASSETS households said they skipped meals in the month before the interview, compared to 5.5 percent of comparison households. Averaging across all households, ASSETS households said they skipped a meal on almost one day in the past month due to a shortage of food and money, compared to 0.3 days for the comparison households.

While ASSETS households report skipping meals somewhat more often due to lack of food, the overall incidence and severity of food insufficiency seems fairly comparable for the two groups. In addition, participation in other food assistance programs, such as WIC or subsidized school meals, is not significantly different for the two groups. Thus, there is little evidence that cash-out has led to a less adequate food supply or caused households to take more actions because of a lack of food or money to buy food.

Households with children and those with elderly members have different expenditure patterns and needs, and may respond differently to cash-out. Among households with children, ASSETS households report spending considerably less on food than comparison households, yet they do not report a less adequate food supply. In contrast, elderly households in both the ASSETS and comparison counties report similar food expenditures but more ASSETS than comparison households perceive their food supply to be inadequate. While we cannot draw conclusions about food intake or adequacy of diet based solely on food expenditure data, these findings suggest that the effects of cash-out vary across different types of households.

ASSETS recipients, for the most part, prefer checks over food stamp coupons. They prefer checks because of the greater choice and flexibility checks provide, allowing them to spend money on necessities other than food, if needed. Certainly it may be the case that there are individual households that have greater difficulty budgeting or keeping money aside for food with checks. The majority of ASSETS households, however, do not report problems budgeting their money with checks or problems with food shortages related to cash-out.

We conclude that ASSETS participants have decreased their food expenditures as a result of cash-out, shifting some of their spending to other necessities such as housing and transportation. The actual average decrease may be somewhat less than the 18 percent



difference in food expenditures per AME between the two groups. Food expenditure levels may have differed somewhat between the two groups prior to cash-out, particularly because of the higher rents paid in the ASSETS counties. We find, however, that in each of the matched pairs of counties, households receiving food benefits by check spent less on food than those in the matched comparison county who received food stamp coupons. At the same time, the survey did not find evidence that the lower food expenditures in the ASSETS counties has affected households' perceptions of food adequacy. To conclude definitively about the impact on the food use and nutrient availability of ASSETS households, however, would require a full survey of food use, which was not part of this study's design.

## **CHAPTER THREE**

### **EFFECTS OF CASH-OUT ON FOOD RETAILERS**

The main purpose of this part of the analysis is to examine the effects of the cash-out component of ASSETS on food retailers who are authorized to participate in the Food Stamp Program. The analysis focuses on food retailers' perceptions and opinions about the impact of cash-out on their store operations and profits and on recipients' shopping patterns.

By providing food benefits in cash, the ASSETS Program eliminates the use of food stamp coupons for the purchase of authorized food items. Retailers no longer need to train cashiers concerning food stamp coupon purchases. With cash food benefits, retailers do not need separate handling and reconciliation procedures as with food stamp coupons. Retailers also may experience a change in food sales or in the number of customers if recipients alter their food purchases and shopping patterns because of cash-out.

Retailers may choose to cash recipients' ASSETS checks. Providing check-cashing services may lead to some costs for food retailers, but may also result in higher sales or may generate revenue if the retailer charges a fee for such services.

In this chapter, we first discuss the specific research questions to be answered by the analysis of the effects of cash-out on food retailers. In Section 3.2 we present the research design and analysis approach. Section 3.3 discusses the sample design and characteristics of the sample retailers. We discuss the results concerning food retailers in Section 3.4. Retailers' policies and experiences cashing ASSETS checks are covered in Section 3.5. Finally, we summarize the findings concerning retailers in Section 3.6.

#### **3.1 KEY RESEARCH QUESTIONS**

Retailers must be authorized by the Food Stamp Program to accept and redeem food stamp coupons. Once authorized to accept food stamp coupons, a retailer establishes separate handling and reconciliation procedures for food stamp coupons, including procedures for counting, sorting, and bundling coupons, and for preparing the certificates needed to deposit food stamp coupons in a bank. Retailers must train their cashiers on the procedures and regulations concerning purchases made with food stamp coupons.

Research indicates that there are 5 main components of the cost of participation in the Food Stamp Program for food retailers: handling and reconciliation costs, checkout productivity costs, training costs, reshelving costs, and float costs.<sup>1</sup> One study estimates that of these components, handling and reconciliation costs account for 80 percent of retailers' participation costs under the coupon system.<sup>2</sup> The study finds that checkout productivity costs account for nearly 13 percent of the total. The other three main components contribute only about 7 percent of the total costs of retailer participation under the coupon system.

Cash-out eliminates the need for separate handling and reconciliation procedures and for special training in regard to food stamp coupon purchases.<sup>3</sup> Thus, cash-out is likely to decrease some components of retailers' cost of participation in the Food Stamp Program. By eliminating the handling requirements for coupons, cash-out may reduce retailers' handling and reconciliation costs. In addition, cash-out may decrease training costs because retailers no longer need to provide special instructions to cashiers on food stamp coupon purchases. On the other hand, the impact of cash-out on other cost components is less clear. Checkout time may increase or decrease, depending on whether the purchases are made directly with the ASSETS check or with cash (after cashing the check at the store's customer service counter or elsewhere).<sup>4</sup> Reshelving costs depend on how often customers find they have insufficient funds for their purchases. And float costs might increase or decrease depending on how often the store deposits cash and food stamp coupons in the bank. In addition, retailers may incur costs associated with cashing ASSETS checks. These costs include the time to cash the check

(including verifying identification), time spent on reconciliation and preparing bank deposits, and possibly losses due to cashing fraudulent or bad checks. Retailers are likely to process ASSETS checks in a manner similar to other government checks and personal checks; in contrast, food stamp coupons are unlike other forms of payment and must be treated separately.

Furthermore, in addition to affecting retailers' costs, cash-out may affect store sales if recipients change their shopping patterns or expenditure levels due to cash-out. For example, recipients might purchase more food from take-out restaurants or from stores that are not authorized to accept food stamp coupons, and consequently buy less at the stores where they previously shopped with food stamp coupons. Recipients also may shift some of their spending to non-food purchases after cash-out.

While it seems likely that cash-out will decrease certain costs faced by retailers (because retailers have much less need for special coupon-related procedures for handling, reconciliation and training), retailers may be concerned if changes in recipients' shopping patterns result in a loss of sales. Thus, the impact of cash-out on store sales and profits is likely to affect whether retailers prefer coupons or checks as the means of benefit delivery.

To summarize, this chapter focuses on five main research questions regarding the impact of cash-out on retailers:

- What are the impacts of cash-out on store operations, including staffing?
- What are the impacts of cash-out on store sales and profits?
- Do food retailers perceive an impact due to cash-out on recipients' food shopping patterns?
- Do food retailers prefer food benefits in check or coupon form? For what reasons?
- Do the perceived effects of cash-out vary by store type?

### **3.2 RESEARCH DESIGN AND ANALYSIS APPROACH**

The survey of food retailers was based on a retrospective pre/post research design: only retailers in the three ASSETS demonstration counties were surveyed in one wave of data collection. Retailers were asked to compare their stores' costs, profits, and operations currently (under cash-out) to their levels under the coupon system prior to cash-out. The analysis focuses

on retailers' perceptions of changes in costs, sales, and profits, and how these perceptions affect retailers' preferences for coupons or cash-out.

The analysis focuses on retailers' perceptions and opinions about the impacts of cash-out on their stores, rather than collecting quantitative measures of retailers' sales, costs, and profits for several reasons:

- First, retailers are often reluctant to provide information on sales and profits, even with assurances of confidentiality.<sup>1</sup>
- Second, the survey was conducted after cash-out had occurred so that any data collected from retailers on coupon-related costs, sales, and profits would be retrospective.<sup>2</sup>
- Lastly, store sales and profits vary considerably month to month, and collecting the data needed to control for all factors not related to the demonstration, such as changes in local economic conditions or food prices, would be extremely difficult.

It is important to note that attributing a change in store sales or profits to cash-out is difficult because of the possibility of changes in local economic conditions or food prices that occur over the same time period. The analysis of the effects of cash-out on participating households (discussed in Chapter Two) provides a more direct measure of the impact of cash-out on household food expenditures (and thus on overall food sales). Retailers may perceive an impact on their sales because of shifts in recipient shopping patterns, but we measure the overall impact of cash-out on food expenditures more directly in the household survey. Nonetheless, the perceptions of food retailers provide additional information on the effects of cash-out.

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<sup>1</sup>In the evaluation of the Reading Electronic Benefit Transfer (EBT) demonstration, less than 20 percent of retailers provided quarterly data on sales, profits and costs. Those who reported these data frequently provided incomplete information. Some retailers agreed to provide data but never did; they may have found the task too time-consuming or difficult while others simply refused to provide financial data.

<sup>2</sup>An alternative approach would be to survey a group of retailers in the three comparison counties. A comparison design relies on the assumption that, in the absence of the ASSETS Program, the stores in the ASSETS counties would have similar sales, costs, and profits to the stores in the comparison counties. Because sales, operating costs, and coupon-handling procedures vary considerably across stores, this assumption is indefensible without pre-cash-out data in the ASSETS counties.

The analysis of the effects of cash-out on food retailers is largely qualitative and presents the retailers' responses in terms of descriptive statistics such as frequencies and means. No direct tests of differences-in-means or proportions (e.g., between demonstration and comparison groups) are available given the research design. Confidence intervals for the proportions are presented in Appendix G.

### **3.3 SAMPLE DESIGN AND CHARACTERISTICS**

A sample of food retailers was drawn from the population authorized to participate in the Food Stamp Program prior to cash-out in the three ASSETS demonstration counties. A list of all authorized food retailers in the three counties was obtained from the FNS Minneapolis Computer Service Center. Data on the type of store and the level of food stamp redemptions in the month before cash-out were also obtained for each authorized retailer.

Exhibit 3.1 shows the population of authorized food retailers and the level of food stamp redemptions prior to cash-out in the three ASSETS counties. As seen in the exhibit, supermarkets represent only about 14 percent of the authorized stores in the three counties while they accounted for 76 percent of total food stamp redemptions prior to cash-out in the three counties. The importance of supermarkets in food stamp redemptions is most striking in the two rural counties: supermarkets accounted for 91 percent of redemptions in Clarke County, and 85 percent in Limestone County prior to cash-out. Supermarkets also redeemed the bulk of coupons (70 percent) in Madison County, prior to cash-out.<sup>1</sup>

The sample of retailers was stratified into two groups: supermarkets and smaller stores. The smaller stores include, for example, neighborhood grocery stores, convenience stores, produce stands, and specialty food stores such as butcher shops, dairies and health food stores.

Because supermarkets redeem between 70 and 90 percent of all food stamp coupons in the three ASSETS counties, we included all supermarkets in the sample. The sample of smaller stores was allocated proportionally among the three counties based on total food stamp redemptions for these stores by county. The sample of smaller (non-supermarket) stores within

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<sup>1</sup>Exhibit 3.1 shows redemptions as a percent of total redemptions for all 3 counties. The figures for each county present supermarket redemptions as a percent of total redemptions for that county.

### Exhibit 3.1

#### POPULATION OF FOOD RETAILERS IN THE THREE ASSETS COUNTIES

	Authorized food retailers		Food stamp redemptions <sup>a</sup>	
	Number	Percent	Amount	Percent
<u>Clarke County</u>				
Supermarkets	10	2.7%	344,158	19.2%
Smaller stores	45	12.2	33,828	1.9
Total	55	14.9	377,986	21.1
<u>Limestone County</u>				
Supermarkets	7	1.9	163,487	9.1
Smaller stores	62	16.8	29,233	1.6
Total	69	18.6	192,720	10.7
<u>Madison County</u>				
Supermarkets	34	9.2	855,117	47.7
Smaller stores	212	57.3	367,644	20.5
Total	246	66.5	1,222,761	68.2
<u>All 3 Counties</u>				
Supermarkets	51	13.8	1,362,762	76.0
Smaller stores	319	86.2	430,705	24.0
Total	370	100.0%	1,793,467	100.0%

Source: FNS Minneapolis Computer Service Center.

Note: a. Food stamp redemptions in the month prior to cash-out.

each county was selected using the probability-proportionate-to-size (PPS) method, with size measured by food stamp redemptions before cash-out. The PPS method allows the analysis to focus on retailers who redeem higher volumes of food stamp coupons.

### **Sample Weighting**

We employed two different weighting schemes in the analysis of the food retailer data. The first method of weighting is intended to make the sample representative of the entire population of retailers. Under this weighting method, we report, for example, the percentage of retailers who prefer food stamp coupons to checks. The second weighting scheme weights retailers' responses by the size of their food stamp redemption prior to cash-out. Under this approach, the responses of stores with larger food stamp redemptions are weighted more heavily than those with smaller redemptions before cash-out. Using this approach we report, for example, stores that gave a particular response, e.g., prefer coupons over checks, represent the specified percentage of food stamp redemptions.

The two weighting schemes take into account the sample design, which incorporated a census of supermarkets and a probability-proportionate-to-size (PPS) sample of smaller stores. The weights are also adjusted for ineligibility and non-response rates. Further details on the derivation of the weights can be found in Appendix H.

### **Data Collection Procedures**

For each store in the sample we conducted an initial telephone screening interview to determine whether we could locate and interview an eligible respondent for that store. The designated respondent for the survey was the store manager or owner, who is the person most likely to be knowledgeable about store operations, costs, sales and profits. The respondent must also have managed or owned the store prior to cash-out in order to be able to compare store operations under cash-out and under the coupon system. If there was no manager or owner with experience in the store prior to cash-out, the store was considered to be ineligible for the survey.

After the initial screening calls, we mailed a letter about the survey to the designated respondent. The purpose of this letter was to inform the retailer about the study, reassure him



or her about the confidentiality of the information, and indicate that the study was supported by FNS and Alabama DHR. A copy of the letter is shown in Appendix J.

Interviews with the food retailers were conducted by telephone from the Abt Telephone Research Center.

### **Characteristics of the Sample Food Retailers**

The sample of 152 food retailers who completed interviews includes 46 supermarkets and 106 smaller stores. Exhibit 3.2 shows the breakdown of food retailers by type and county for the stores in the sample. While the retailers who completed interviews represent just over 40 percent of all authorized retailers in the three counties, they accounted for 85 percent of food stamp redemptions prior to cash-out. Details on the final disposition of all sample cases, including data on ineligibility and non-response rates by county, are found in Appendix I.

As noted earlier, the sample of retailers takes into account the level of food stamp coupon redemptions prior to cash-out. As shown in Exhibit 3.2, the supermarkets that completed interviews account for 88 percent or more of the food stamps redeemed by supermarkets in each of the three ASSETS counties. For smaller stores, the sample stores represent between 40 and 63 percent of the food stamps redeemed by smaller stores in each county before cash-out. Thus, the food retailers in the sample well represent the stores that accounted for most food stamp coupon purchases prior to cash-out.

Exhibit 3.3 presents characteristics of the supermarkets and smaller stores in the sample, based on interview data. The average supermarket in the three ASSETS counties has been in operation for close to 16 years, has 40 full-time equivalent employees, and monthly gross sales of \$470,000. The average non-supermarket is considerably smaller, having an average of 4 full-time equivalent employees and monthly sales under \$50,000. The typical smaller store has been in operation for about 12 years. Food stamp coupons represented a larger fraction of total sales in smaller stores than in supermarkets: food stamps were, on average, 28 percent of sales in smaller stores compared to 19 percent for supermarkets, prior to cash-out.

**Exhibit 3.2**

**SAMPLE FOOD RETAILERS<sup>a</sup>**

	Authorized food retailers		Food stamp redemptions <sup>b</sup>	
	Number	Percent of population <sup>c</sup>	Amount	Percent of population <sup>d</sup>
<b><u>Clarke County</u></b>				
Supermarkets	9	90.0%	311,027	90.4%
Smaller stores	8	17.8	14,303	42.3
Total	17	30.9	325,330	86.1
<b><u>Limestone County</u></b>				
Supermarkets	6	85.7	144,312	88.3
Smaller stores	10	16.1	11,593	39.7
Total	16	23.2	155,905	80.9
<b><u>Madison County</u></b>				
Supermarkets	31	91.2	805,091	94.1
Smaller stores	88	41.5	230,544	62.7
Total	119	48.4	1,035,635	84.7
<b><u>All 3 Counties</u></b>				
Supermarkets	46	90.2	1,260,430	92.5
Smaller stores	106	33.2	256,440	59.5
Total	152	41.1	1,516,870	84.6

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. Includes only sample retailers who completed the survey. Disposition of all cases and ineligibility and response rates are discussed in the appendix.

b. Food stamp redemptions in the month prior to cash-out. Source: FNS Minneapolis Computer Service Center.

c. Sample as a percent of population of retailers in the county-store type stratum.

d. Sample as a percent of total food stamp redemptions in the county-store type stratum.

### Exhibit 3.3

#### CHARACTERISTICS OF SAMPLE RETAILERS

	Supermarkets	Smaller stores	All stores
Mean number of years in operation	15.9 yrs.	12.3 yrs.	12.9 yrs.
Mean number of full-time equivalent employees	40.0	4.0	9.6
Mean monthly total sales volume	\$470,000	\$49,000	\$126,000
Mean percent of sales paid with food stamps before cash-out <sup>a</sup>	19.4%	28.1%	21.4%

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. Weighted by food stamp redemptions before cash-out.

### **3.4 EFFECTS OF CASH-OUT ON FOOD RETAILERS**

In this section, we first examine the effect of cash-out on retailers' costs of participation in the Food Stamp Program. We discuss retailers' perceptions of the impact of cash-out on store operations, staffing, and non-labor costs. Next, we look at the effects of cash-out on food and non-food sales, and on store profits. Lastly, we discuss retailers' preferences for cash-out versus coupons in light of their perceptions of the impact of cash-out on costs, sales and profits.

#### **Store Operations**

In order to gauge the impact of cash-out on store operations, food retailers were asked about changes in the amount of time spent by staff on key store activities, including:

- customer checkout,
- reconciling receipts and preparing bank deposits,
- training new cashiers,
- training other new employees,
- cashing checks and service counter activities,
- handling bad or fraudulent checks, and
- supervising.

For each activity, food retailers were asked whether any changes in administrative procedures due to cash-out had caused a change in the amount of time spent on that activity. If a change had occurred, retailers were asked to report the size of the change (a lot or a little) and to give an estimate of the size in terms of staff hours per month or percent of overall hours spent on that activity.<sup>1</sup> Below we discuss the impact of cash-out on each activity, as shown in Exhibit 3.4.

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<sup>1</sup>We present separate estimates of the mean increase and decrease in terms of hours per month and in terms of percentage of time on that activity. We cannot accurately combine the estimates into a single measure of the change in time because no base (e.g., total hours on that activity) is available. (The survey asked for percentage change as a percent of time spent on that activity, not of total staff hours.)

**Exhibit 3.4**  
**IMPACTS ON STORE OPERATIONS<sup>a</sup>**

	Impact of cash-out on time spent on:						Supervising
	Customer checkout	Reconciling receipts and preparing bank deposits	Training new cashiers	Training other new employees	Cashing checks	Handling fraudulent or bad checks	
<b><u>Percent of Stores Reporting</u></b>							
<b>Increase</b>	<b>5.8%</b>	<b>4.9%</b>	<b>7.9%</b>	<b>3.1%</b>	<b>33.7%</b>	<b>19.4%</b>	<b>9.5%</b>
Small increase	3.2	2.4	4.6	2.0	15.3	6.1	2.3
Large increase	2.6	2.5	3.3	1.1	18.4	13.3	7.2
<b>Decrease</b>	<b>30.2</b>	<b>47.4</b>	<b>13.8</b>	<b>5.4</b>	<b>3.9</b>	<b>6.3</b>	<b>6.3</b>
Small decrease	17.6	27.6	6.0	4.9	1.8	4.6	3.9
Large decrease	12.6	19.8	7.8	0.5	2.1	1.7	2.4
<b>No change</b>	<b>64.1</b>	<b>47.6</b>	<b>78.3</b>	<b>91.5</b>	<b>62.4</b>	<b>74.3</b>	<b>84.2</b>
<b><u>Percent of Food Stamp Redemptions</u></b>							
<b>Increase</b>	<b>14.4%</b>	<b>20.2%</b>	<b>11.2%</b>	<b>7.6%</b>	<b>72.9%</b>	<b>41.3%</b>	<b>18.7%</b>
Small increase	6.7	5.5	8.8	7.0	14.7	27.2	1.5
Large increase	7.7	14.7	2.4	0.6	58.2	14.1	17.2
<b>Decrease</b>	<b>42.1</b>	<b>38.0</b>	<b>22.6</b>	<b>8.3</b>	<b>2.5</b>	<b>1.8</b>	<b>2.4</b>
Small decrease	23.6	19.2	10.5	4.4	1.3	0.4	0.7
Large decrease	18.5	18.8	12.1	3.9	1.2	1.4	1.7
<b>No change</b>	<b>43.4</b>	<b>41.8</b>	<b>66.2</b>	<b>84.0</b>	<b>24.5</b>	<b>56.8</b>	<b>78.9</b>

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. Stores that reported spending no time on activity either before or after cash-out are not included in the percentages. For example, a small owner-run store may never need to train new cashiers.

Checkout productivity, or the time spent on customer checkout, is a major concern to most food retailers. Lower checkout productivity generally results in higher labor costs, and may also impact sales if customer satisfaction is affected. While most (64 percent) of the retailers reported no difference in checkout productivity, 30 percent of retailers reported a decrease in checkout time. When retailers' responses are weighted by food stamp redemptions, managers of stores reporting a decrease in checkout time and those reporting no change each represent slightly more than 40 percent of redemptions. The mean change among those reporting a decrease in checkout time was 17 hours per month or 14 percent of checkout time. In sum, the net effect on checkout time appears to be a small decrease in checkout time, on average, especially for those who previously redeemed a large volume of food stamp coupons.

Backroom operations -- reconciling receipts and preparing bank deposits -- are a time-consuming process for food retailers. Under cash-out, food retailers no longer have to sort, count, and bundle coupons or prepare special deposit certificates. For stores that cash ASSETS checks, handling these checks is similar to handling other types of checks, though retailers may see an increase in the number of checks cashed.

As shown in Exhibit 3.4, 47 percent of retailers reported a decrease in time spent on reconciliation activities. Approximately the same percentage reported no net change due to cash-out, and only 5 percent reported an increase in time spent on reconciliation. The mean decrease in reconciliation time (for those reporting a decrease) was 31 hours per month or 12 percent of reconciliation time. The results are similar when weighted by food stamp redemptions, though the percentage reporting an increase in time spent on reconciliation is somewhat higher. Overall, reconciliation time fell for about half of the stores and did not change for about half. Thus, the reported impact, on average across all retailers, appears to be a decrease in reconciliation time due to cash-out. It also appears that smaller stores noticed the decrease in reconciliation time more than larger stores.

Despite the fact that food stamp coupon purchases are subject to special restrictions, few retailers reported a change in training time under cash-out. This may be due to the fact that many of these stores still accept (and receive) food stamp coupons from customers, so that training for cashiers on food stamp transactions is still needed. Alternatively, training on food

stamp coupon purchases may, in fact, be a very small part of cashier's training. The mean decrease in training time for those who did report a drop was fairly large: 28 hours per month or 25 percent of training time. Nonetheless, a large majority of retailers report no change in time spent training cashiers or other new employees as a result of cash-out.

While retailers report that time spent on activities related to food stamp coupons decreased, some also report that time spent on check-cashing activities has increased since cash-out. One-third of the stores reported an increase in check-cashing activity, and these stores represent 73 percent of food stamp redemptions. Thus, it appears that stores that previously redeemed the majority of food stamp coupons (mainly supermarkets) have seen a noticeable increase in check-cashing activity. Staff time devoted to check-cashing activities increased 31 hours per month, or 20 percent, among those stores reporting an increase. Especially for supermarkets, increased time spent handling checks may have offset any decreases in handling time due to the reduction in food stamp coupons.

A concern for food retailers that cash checks is the incidence of fraudulent checks and the potential losses that may result. While under 20 percent of stores report an increase in time spent handling fraudulent checks, these stores represent 41 percent of food stamp redemptions before cash-out. Thus, the higher volume stores that are cashing more checks report an increase in staff time spent dealing with fraudulent checks. Retailers reporting an increase in time handling fraudulent checks estimate the increase to be about 28 hours per month or 11 percent. Across all retailers, average time spent handling fraudulent checks appears to have increased a small amount.

The change from food stamp coupons to checks does not appear to have had much impact on supervisory activities. Under 10 percent of the stores report an increase in supervisory time, representing less than 20 percent of redemptions before cash-out. Even fewer, 6 percent of retailers, report a decrease in supervisory time related to cash-out. At 84 percent of stores (representing 79 percent of redemptions) managers report no change in time spent on supervising due to cash-out.

The reported impacts of cash-out on time spent on the above activities do not easily sum to a net impact of cash-out on store operations. However, it appears that cash-out has reduced time spent on checkout and on handling and reconciliation activities, which are a large part of retailers' costs of participation in the Food Stamp Program under the coupon system. For some stores, this decrease may have been at least partially offset by more time spent handling and cashing checks. Whether a net decrease in staff time spent on these activities, if one occurs, results in lower costs for retailers depends in part on the impact on staffing, which we discuss below.

### **Staffing**

Retailers were asked whether there had been any change in total staff hours at their store since cash-out, and if so, whether any of that change was a result of cash-out. Retailers who reported a change in staffing due to cash-out were asked to estimate the size of that change in hours per month or in percent of staff hours. Finally, retailers were asked whether the change in staffing was a result of a change in operations due to cash-out or due to a change in the level of sales because of cash-out.

Most retailers (85 percent) reported no change in staffing due to cash-out (see Exhibit 3.5). However, when we weight the responses by food stamp redemptions, managers reporting no change in staffing represent only 35 percent of pre-cash-out redemptions. Retailers representing 57 percent of food stamp redemptions reported a decrease in staffing, nearly all due to changes in sales rather than changes in operations.

Supermarkets were more likely to report a change in staffing than smaller stores. As shown in Exhibit 3.6, 52 percent of supermarkets reported no change in staffing compared to 92 percent of smaller stores. Managers reported a decrease in staffing due to cash-out at 7 percent of smaller stores compared to 39 percent of supermarkets. When we weight the responses by food stamp redemptions, managers of supermarkets representing 65 percent of supermarket redemptions reported a drop in staffing. Smaller stores that reported a decrease in total staff hours redeemed only 30 percent of the food stamps redeemed by smaller stores prior to cash-out.



**Exhibit 3.5****IMPACT OF CASH-OUT ON STAFFING**

	Number of retailers	Percent of retailers	Percent of food stamp redemptions
Increase in staffing	8	5.3 %	8.2 %
Due to change in sales	3	2.0	3.0
Due to change in operations	5	3.3	5.1
Decrease in staffing	31	20.4	59.5
Due to change in sales	24	15.8	57.0
Due to change in operations	6	3.9	2.1
Other	1	0.7	0.5
No change in staffing	113	74.3	32.3

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

**Exhibit 3.6**

**STAFFING CHANGES BY STORE TYPE**

Reported change in staffing	Supermarkets		
	Number of supermarkets	Percent of supermarkets	Percent of food stamp redemptions
Increase in staff hours	4	8.7%	6.4%
Decrease in staff hours	18	39.1	64.6
No change	24	52.2	29.0

Reported change in staffing	Smaller stores		
	Number of smaller stores	Percent of smaller stores	Percent of food stamp redemptions
Increase in staff hours	4	1.8%	14.4%
Decrease in staff hours	13	6.6	29.6
No change	89	91.6	56.0

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

While no data were collected on labor costs, Exhibit 3.7 presents information on the size of the staffing change reported by retailers.<sup>1</sup> The size of the mean increase in staff hours reported (10 percent) and the size of the mean decrease reported (9 percent) are nearly identical; however, more retailers reported decreases in staffing. Thus, the mean change in staff hours across all retailers was a decrease of 4 percent per month.

### **Non-Labor Costs**

Very few retailers reported any change in non-labor costs resulting from cash-out (see Exhibit 3.8). Only 14 retailers (5 percent of stores) reported any increase in non-labor costs. These retailers, however, represent 37 percent of the food stamp redemptions prior to cash-out. Most of these (10 of the 14, representing 24 percent of redemptions before cash-out) reported an increase in bank fees due to the increase in cash required to cash ASSETS checks. The increase in bank fees ranged from 0.5 to 50 percent and the average increase was 12 percent. A few retailers reported increases in other types of non-labor costs, including insurance, rent and overhead.<sup>2</sup>

Another non-labor cost which contributes to the cost of Food Stamp Program participation for food retailers is float cost: the interest foregone whenever there is a delay between when the retailer receives food stamp coupons and when the funds are available for the retailer to use. At many banks, food stamp coupons are treated like cash when deposited in a bank, that is, the funds are immediately available to the retailer. Even so, retailers may incur float costs if they do not deposit food stamp coupons in the bank until they have received a sufficient quantity (some banks require bundling of coupons by denomination). Thus, the switch

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<sup>1</sup>For retailers who reported a change in terms of staff hours per month, we converted this to a percentage basis by calculating total staff hours per month for the store based on the number of full time employees in the store, the number of part-time employees, and the average hours per week for part-time employees.

<sup>2</sup>These few retailers did not clarify the reason why cash-out increased their rent or overhead. It may be that if sales decreased, due to cash-out in their view, that overhead or rent per dollar of sales has increased.

### Exhibit 3.7

#### REPORTED SIZE OF CHANGE IN STAFF HOURS DUE TO CASH-OUT

Store type	Percent of total staff hours per month <sup>a</sup>		Mean change in staff hours <sup>b</sup>
	Mean increase	Mean decrease	
Supermarkets	16.0% (N=4)	-7.2% (N=18)	-4.1% (N=45)
Smaller stores	5.8 (N=4)	-27.5 (N=13)	-5.2 (N=105)
All stores	9.6 (N=8)	-9.4 (N=31)	-4.4 (N=150) <sup>c</sup>

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. Weighted by food stamp redemptions prior to cash-out.

b. Mean change in staff hours computed for all retailers, including zero for those reporting no change in staffing due to cash-out.

c. Excludes 2 stores (one supermarket and one smaller store) that reported a change in staff hours due to cash-out but did not know the size of the change.

**Exhibit 3.8**

**RETAILERS' PERCEPTIONS OF IMPACT OF CASH-OUT  
ON NON-LABOR COSTS**

	Number of retailers	Percent of retailers	Percent of food stamp redemptions
Increase in non-labor costs	14	4.9%	36.8%
Bank fees	10	3.6	23.5
Insurance cost	2	0.7	4.2
Overhead	1	0.3	2.8
Rent/utilities	1	0.3	6.3
Decrease in non-labor costs	2	0.7	1.0
Bank fees	1	0.4	0.9
Insurance cost	0	0.0	0.0
Overhead	0	0.0	0.0
Rent/utilities	1	0.3	0.1
No change in non-labor costs	136	94.3	62.2

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

to cash may decrease float costs if the retailer deposits store cash receipts more quickly than coupons.<sup>1</sup>

Most retailers reported that they now deposit store receipts in the bank more frequently than they deposited food stamp coupons prior to cash-out. Two-thirds of retailers (68 percent), representing 50 percent of food stamp redemptions, report making more frequent bank deposits since cash-out. Most of the remaining stores (30 percent, representing 44 percent of redemptions) did not change the frequency of bank deposits. This finding suggests that float costs would have decreased somewhat for retailers under cash-out.

Two retailers reported decreases in bank fees or rent due to cash-out. Overall, however, most retailers (94 percent, representing 62 percent of redemptions) reported no change in non-labor costs due to cash-out.

## **Sales**

Retailers believe that recipients' shopping patterns have shifted due to cash-out, though they do not all report the same types of shifts. Some stores report increases in sales, while others, especially larger stores, report decreases in sales. We asked retailers to report the impact of cash-out in their stores on:

- sales of food items that can be purchased with food stamps;
- sales of food items that cannot be purchased with food stamps (e.g., certain prepared and deli foods);
- sales of non-food items; and,
- total sales.

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<sup>1</sup>We did not include the float costs of checks because the survey did not collect information on the amount of time needed to clear ASSETS checks deposited in a retailer's bank account. (Cashing ASSETS checks is optional for retailers.)

In general, most food retailers report a decrease in "food stamp" sales and an increase in "non-food stamp" sales (sales of food items that cannot be purchased with food stamps and sales of non-food items). As shown in Exhibit 3.9, just over half of all stores (55 percent) report a decrease in sales of food items that can be bought with food stamps, and about 39 percent report an increase in sales of other food items and in non-food items. This trend is even more apparent when the responses are weighted by food stamp redemptions. Managers of stores representing 86 percent of pre-cash-out redemptions report a decrease in food sales and those representing 57 percent of redemptions report an increase in non-food sales. The net impact reported by most retailers is an overall decrease in total sales -- 44 percent of retailers, representing 86 percent of redemptions report a decrease in total sales due to cash-out. Most managers report that the decrease in total sales has been "large" (26 percent of retailers compared to 18 percent reporting a small decrease). When weighted by redemptions, managers representing 64 percent of redemptions report a "large" decrease in sales.

It is important to keep in mind that retailers are reporting their perceptions of the impact of cash-out on sales and store operations. The impact of other changes, such as a recession, have not been explicitly accounted for, except to the extent that the retailer is able to separate the various factors that affect sales.

### **Store Profits**

Retailers report that cash-out has affected store operations, costs, and sales. Looking at the impact of cash-out on store profits (sales minus costs), therefore, can provide a kind of summary measure of the impact on retailers. Exhibit 3.10 presents retailers' perceptions of the impact of cash-out on store profits, for all stores and by store type.

Managers of supermarkets overwhelmingly report that cash-out has had a negative impact on their store profits. Managers of 78 percent of the supermarkets, representing 93 percent of the food stamp redemptions prior to cash-out, report that profits decreased because of cash-out. For some retailers, the negative impact has been relatively small: 44 percent of supermarkets representing 43 percent of redemptions report a small decrease in profits. However, over one-

**Exhibit 3.9**

**RETAILERS' PERCEPTIONS OF IMPACT OF CASH-OUT ON STORE SALES**

	Store sales			
	Food items that can be purchased with food stamps	Food items that cannot be purchased with food stamps	Non-food items	Total sales
<u>Percent of Stores:</u>				
<b>Increase in sales</b>	<b>6.9%</b>	<b>39.7%</b>	<b>38.9%</b>	<b>17.3%</b>
Small increase	3.4	22.9	19.3	11.0
Large increase	3.5	16.8	19.6	6.3
<b>Decrease in sales</b>	<b>55.2</b>	<b>7.5</b>	<b>4.3</b>	<b>43.7</b>
Small decrease	13.5	3.6	2.0	17.5
Large decrease	41.7	3.9	2.3	26.2
<b>No change</b>	<b>37.9</b>	<b>52.8</b>	<b>56.9</b>	<b>39.0</b>
<u>Percent of Food Stamp Redemptions:</u>				
<b>Increase in sales</b>	<b>5.3%</b>	<b>32.8%</b>	<b>56.7%</b>	<b>5.9%</b>
Small increase	1.3	20.6	30.8	2.7
Large increase	4.0	12.2	25.9	3.2
<b>Decrease in sales</b>	<b>85.7</b>	<b>7.1</b>	<b>3.6</b>	<b>85.8</b>
Small decrease	16.9	4.2	1.3	22.0
Large decrease	68.8	2.9	2.3	63.8
<b>No change</b>	<b>9.0</b>	<b>60.2</b>	<b>39.7</b>	<b>8.3</b>

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.



**Exhibit 3.10**

**RETAILERS' PERCEPTIONS OF IMPACT OF CASH-OUT  
ON STORE PROFITS**

	All stores	Super- markets	Smaller stores	Rural stores	Urban stores
<u>Percent of stores reporting:</u>					
<b>Increase in profits</b>	<b>9.2%</b>	<b>2.2%</b>	<b>10.6%</b>	<b>6.4%</b>	<b>10.8%</b>
Small increase	8.8	2.2	10.1	6.4	10.2
Large increase	0.4	0.0	0.5	0.0	0.6
<b>Decrease in profits</b>	<b>44.1</b>	<b>78.3</b>	<b>37.5</b>	<b>53.6</b>	<b>38.5</b>
Small decrease	27.4	43.5	24.3	38.4	20.8
Large decrease	16.7	34.8	13.2	15.2	17.7
<b>No change</b>	<b>46.7</b>	<b>19.6</b>	<b>51.9</b>	<b>40.0</b>	<b>50.7</b>
<u>Percent of Food Stamp redemptions:</u>					
<b>Increase in profits</b>	<b>1.7%</b>	<b>0.1%</b>	<b>7.8%</b>	<b>1.3%</b>	<b>1.9%</b>
Small increase	1.7	0.1	7.6	1.3	1.9
Large increase	0.0	0.0	0.2	0.0	0.0
<b>Decrease in profits</b>	<b>86.8</b>	<b>92.6</b>	<b>64.5</b>	<b>92.3</b>	<b>84.1</b>
Small decrease	39.5	43.1	25.8	36.0	41.2
Large decrease	47.3	49.5	38.7	56.3	42.9
<b>No change</b>	<b>11.5</b>	<b>7.3</b>	<b>27.8</b>	<b>6.4</b>	<b>14.0</b>

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

third of supermarkets, representing 50 percent of redemptions, report a "large" decrease in profits due to cash-out.

Fewer of the smaller stores report a negative impact on profits related to cash-out. Just over half of the smaller stores (52 percent) report no change in profits due to cash-out, and another 11 percent of smaller stores report an increase in profits resulting from cash-out. However, when responses are weighted by food stamp redemptions, the stores with larger food stamp redemptions before cash-out reported more negative impacts: managers of stores representing 65 percent of redemptions at smaller stores prior to cash-out report a decrease in profits due to cash-out.

Managers at stores in the two rural ASSETS counties were slightly more likely to report a decrease in profits than those in the urban county (see Exhibit 3.10). Managers at 54 percent of stores in the two rural counties report a profit decrease compared with 39 percent of the managers at stores in the urban county.

Weighting retailers' responses by food stamp redemptions prior to cash-out focuses the analysis on those stores likely to be most affected by cash-out. Alternatively, we could look at the relative importance of food stamps in each store prior to cash-out by grouping retailers based on their food stamp sales as a percentage of total sales before cash-out. We divided retailers into 5 groups: those for whom food stamp sales were less than 5 percent of total sales before cash-out, 5-10 percent, 11-20 percent, 20 percent and higher, and those who did not know or refused to provide this information. Not surprisingly, retailers for whom food stamps represented a greater portion of their sales prior to cash-out more often report a decrease in profits than those for whom food stamps were of less importance. As shown in Exhibit 3.11, even among retailers for whom food stamp sales were only 5-10 percent of the total, more than half report a decrease in profits due to cash-out. Among retailers for whom food stamp sales were more than 20 percent of the total, 43 percent report a "large" decrease in profits and another 18 percent report a "small" decrease. This provides further evidence that while retailers in general perceive some negative impact on profits from cash-out, retailers for whom food stamp coupon sales were an important fraction of their business prior to cash-out feel that cash-out has had a definite negative impact on their businesses.

**Exhibit 3.11**

**RETAILERS' PERCEPTIONS OF IMPACT ON PROFITS  
BY FOOD STAMP SALES PERCENTAGE**

Reported change in store profits	Food stamps as a percent of total sales before cash-out				
	< 5%	5-10%	11-20%	> 20%	Unknown <sup>a</sup>
<b>Increase in profits</b>	<b>13.4%</b>	<b>14.7%</b>	<b>0.0%</b>	<b>2.4%</b>	<b>0.0%</b>
Small increase	12.3	14.7	0.0	2.4	0.0
Large increase	1.1	0.0	0.0	0.0	0.0
<b>Decrease in profits</b>	<b>16.3</b>	<b>53.4</b>	<b>63.3</b>	<b>61.6</b>	<b>66.2</b>
Small decrease	6.2	40.8	42.0	18.2	62.5
Large decrease	10.1	12.6	21.3	43.4	3.7
<b>No change</b>	<b>70.3</b>	<b>31.9</b>	<b>36.7</b>	<b>36.0</b>	<b>33.8</b>

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. Includes retailers who did not know or refused to report food stamp sales as a percentage of the store's total sales prior to cash-out.

## **Recipient Shopping Patterns**

Retailers were asked to assess how the shopping patterns of food stamp recipients have changed under cash-out. While food stamp recipients are not so readily identifiable under cash-out as when they use food stamp coupons, many retailers, especially in rural areas and in smaller stores, are familiar with their regular customers' shopping patterns.

Managers of supermarkets perceive a shift in recipients' shopping away from supermarkets and toward smaller food stores and non-food stores. As seen in Exhibit 3.12, 85 percent of the supermarket managers, representing 96 percent of pre-cash-out redemptions, report that recipients shop less in supermarkets. Supermarket managers report the largest shift toward nonfood stores: 70 percent, representing 61 percent of redemptions, report that they believe food benefit recipients shop more at non-food stores since cash-out. Close to half also see a shift to smaller grocery stores and convenience stores: 44 percent of supermarket managers, representing 53 percent of redemptions feel that recipient shop more at smaller food stores.

Managers of smaller stores perceive a similar shift in recipients' shopping patterns (see Exhibit 3.13). Fewer managers of smaller stores than of supermarkets report a decrease in shopping at supermarkets, however. In smaller stores, 42 percent and 50 percent of managers report less shopping by recipients in supermarkets and smaller grocery stores, respectively. Again, managers believe recipients have shifted to non-food stores: 54 percent of smaller-store managers, representing 77 percent of redemptions report that recipients now shop more at non-food stores than before cash-out.

## **Retailers' Perceptions of Checks versus Coupons**

Food retailers have expressed concerns about cash-out and its impacts on their stores and on recipients in Alabama since the ASSETS Program was implemented. We asked the sample retailers whether, as food retailers, they preferred food stamp coupons or checks as the method of issuing food stamp benefits. Nearly half of the retailers (47 percent) prefer food stamp coupons; only 17 percent prefer checks (see Exhibit 3.14). It may be somewhat surprising,

**Exhibit 3.12**

**SUPERMARKETS' PERCEPTION OF CHANGES IN  
RECIPIENT SHOPPING PATTERNS<sup>a</sup>**

Store Type	Percent of supermarkets			
	More	Less	Same	Don't Know
Supermarkets	6.5 %	84.8 %	6.5 %	2.2 %
Smaller grocery stores and convenience stores	43.5	32.6	6.5	17.4
other food stores such as dairies and butchers	13.0	34.8	28.3	23.9
Non-food stores	69.6	2.2	13.0	15.2

Store Type	Percent of supermarkets weighted by food stamp redemptions			
	More	Less	Same	Don't Know
Supermarkets	1.4 %	95.6 %	2.8 %	0.2 %
Smaller grocery stores and convenience stores	52.5	29.3	4.6	13.6
Other food stores such as dairies and butchers	16.4	22.7	34.4	26.4
Non-food stores	60.8	1.0	18.7	19.5

Source: Evaluation of the Alabama ASSETS demonstration, survey of food retailers.

Note: a. For each store type, retailers were asked whether they thought food assistance recipients shopped more, less, or about the same at these stores under cash-out as they did under the coupon system.

**Exhibit 3.13**

**SMALLER STORES' PERCEPTION OF CHANGES  
IN RECIPIENT SHOPPING PATTERNS<sup>a</sup>**

Store Type	Percent of smaller stores			
	More	Less	Same	Don't Know
Supermarkets	15.8%	41.5%	17.2%	25.6%
Smaller grocery stores and convenience stores	18.4	50.2	27.3	4.2
Other food stores such as dairies and butchers	8.7	33.2	19.8	38.3
Non-food stores	54.0	7.1	7.3	31.7

Store Type	Percent of smaller stores weighted by food stamp redemptions			
	More	Less	Same	Don't Know
Supermarkets	18.2%	56.6%	14.3%	11.0%
Smaller grocery stores and convenience stores	25.0	60.6	12.0	2.4
Other food stores such as dairies and butchers	7.2	59.3	8.6	24.9
Non-food stores	76.5	2.6	3.6	17.4

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. For each store type, retailers were asked whether they thought food assistance recipients shopped more, less, or about the same amount at these stores under cash-out as they did under the coupon system.

**Exhibit 3.14**

**RETAILERS' PREFERENCES FOR COUPONS AND CHECKS**

	Number of retailers	Percent of retailers	Percent of food stamp redemptions
<u>All stores</u>			
Prefer food stamp coupons	85	47.2 %	88.2 %
Prefer checks	31	17.4	6.4
No preference	36	35.4	5.3
<u>Supermarkets</u>			
Prefer food stamp coupons	40	87.0 %	94.6 %
Prefer checks	2	4.3	2.9
No preference	4	8.7	2.5
<u>Smaller stores</u>			
Prefer food stamp coupons	45	40.4 %	64.0 %
Prefer checks	29	20.2	20.0
No preference	31	39.4	15.9

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

given the negative impacts on sales and profits reported by retailers, that slightly more than half of the retailers either prefer checks or had no preference. However, when responses are weighted by redemptions prior to cash-out, retailers overwhelmingly prefer coupons: managers representing 88 percent of redemptions prefer coupons. Those who prefer checks represent only 6 percent of redemptions prior to cash-out. Thus, it is particularly the stores that redeemed the majority of coupons prior to cash-out who prefer the coupon system.

The finding that the managers of larger stores (in terms of food stamp redemptions) tend to prefer coupons more strongly than those in lower volume stores is confirmed when we look at the preferences of supermarkets and smaller stores. Nearly all of the supermarket managers prefer coupons (87 percent of supermarkets, representing 95 percent of redemptions, prefer coupons). The managers of smaller stores are more divided in their preferences: 40 percent of smaller stores prefer coupons and 20 percent prefer checks (the remaining 39 percent had no preference). However, when responses are weighted by food stamp redemptions, those who prefer coupons represent 64 percent of redemptions, compared to 20 percent of redemptions for those who prefer checks. Thus, even within smaller stores, those that redeemed more coupons prior to cash-out are more likely to prefer coupons.

We also looked at retailers' preferences by the 5 groupings of food stamp sales as a fraction of total sales prior to cash-out. Not surprisingly, the percentage of retailers who prefer coupons increases with the fraction of store sales that were coupons prior to cash-out. As shown in Exhibit 3.15, retailers for whom food stamp coupon sales were less than 5 percent of their total sales before cash-out are evenly split: 22 percent prefer coupons, 23 percent prefer checks, and 55 percent have no preference. For retailers with food stamp sales 5 percent or more, more than half prefer coupons. And when food stamp sales were more than 20 percent of the total, 71 percent of retailers prefer coupons. Thus, the retailers for whom cash-out is likely to have had the largest impact -- those who redeemed a large volume of coupons or for whom coupons were a sizeable fraction of total sales -- are consistent in their preference for the coupon system.



**Exhibit 3.15**

**RETAILERS' PREFERENCES BY FOOD STAMP SALES PERCENTAGE<sup>a</sup>**

	Food stamps as a percent of total sales before cash-out				
	< 5%	5-10%	11-20%	> 20%	Unknown <sup>a</sup>
Prefer coupons	22.3%	54.3%	57.0%	71.1%	77.2%
Prefer checks	22.6	16.1	28.4	2.6	15.4
No preference	55.1	29.5	14.6	26.2	7.5

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. As reported by store manager or owner.

## **Reasons for Preferring Coupons**

Retailers who prefer food stamp coupons overwhelmingly gave reasons for their preference related to the restrictions on coupon purchases. As shown in Exhibit 3.16, 68 percent of those who prefer coupons said they prefer coupons because coupons must be spent on food, and 37 percent said that with checks, people may mismanage their money, resulting in hunger or no money left for food at the end of the month. Typical statements from retailers include:

- "When people had coupons they had to buy food."
- "The purpose of coupons is to buy food."
- "People are using the cash for things other than what they were meant for."
- "[I prefer the coupon system] because it restricts people to spend it on what it is intended for."
- "I believe the children get more food with food stamps."
- "With coupons instead of checks, parents spend it more on food."

These retailers felt that food assistance benefits are intended to be spent on food, and generally expressed concern about people buying less food (and potentially going hungry). Some retailers believe that recipients who spend some of their food assistance benefits on non-food items are in effect "misusing" their benefits.<sup>1</sup>

Retailers also were concerned about the impact of cash-out on store sales: 21 percent of retailers (representing 51 percent of food stamp redemptions) prefer coupons because their total sales were higher under the coupon system. Managers at 12 percent of stores, representing 15 percent of redemptions, said they prefer coupons because of the decrease in food sales they attribute to cash-out.

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<sup>1</sup>There are no restrictions on purchases made with ASSETS nutrition assistance benefits unlike purchases made with food stamp coupons which are restricted to authorized food items.

**Exhibit 3.16****RETAILERS' REASONS FOR PREFERING  
COUPONS OR CHECKS**

	Number of retailers	Percent of retailers	Percent of food stamp redemptions
<b><u>Reasons for Preferring Coupons<sup>a</sup></u></b>			
Coupons must be spent on food	63	68.3%	72.4%
Total sales higher	24	20.6	50.5
Mismanagement causes hunger/no money left for food at end of month	21	37.3	20.7
Food sales higher	14	11.7	14.8
Profits higher	4	3.2	2.3
Need more cash on hand	3	2.3	11.4
Recipients prefer	2	1.5	5.4
Easier to deal with	2	1.5	4.8
Less time in checkout lane	1	0.7	4.2
Other	10	7.7	19.2
<b><u>Reasons for Preferring Checks<sup>b</sup></u></b>			
Less staff time needed to handle benefits	19	53.5%	44.1%
Easier to deal with	7	16.5	7.2
Less time in checkout lane	5	19.2	25.3
Recipients have choice to buy non- food items	3	10.3	5.5
Total sales higher	3	15.9	29.3
Recipients prefer checks	2	8.1	4.6
Non-food sales higher	2	4.4	13.2
Less staff training needed	1	7.1	0.7
Less stigma	1	11.7	4.0
With coupons recipients make purchases to get cash change	1	2.2	0.5
Other	4	14.8	6.2

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Notes: a. Percentage of those who prefer coupons.

b. Percentage of those who prefer checks.

Percentages sum to more than 100 because of multiple responses.

## **Reasons for preferring checks**

The food retailers who prefer checks to food stamp coupons primarily gave reasons related to the reduced burden or staff time with checks. Of those who prefer checks, 54 percent cited less staff time needed for handling and reconciliation and 17 percent said that checks were easier to manage. Other reasons cited by retailers who prefer checks include faster checkout times, higher sales, and that recipients have greater choice to buy non-food items with checks.

### **3.5 RETAILERS' CHECK-CASHING POLICIES AND EXPERIENCES**

Food retailers may, at their option, cash ASSETS checks for recipients. Most food retailers provide this service, and usually they do not distinguish between ASSETS checks and other types of government or third-party checks. Retailers may establish policies concerning such checks, such as requiring a minimum purchase, limiting the size of the check they will cash, or charging a service fee for cashing a check.

In the three ASSETS counties, most of the stores surveyed (66 percent) are willing to cash ASSETS checks (see Exhibit 3.17). Most stores that cash ASSETS checks do not require a purchase to cash a check, but nearly all require identification. Only 10 percent of all stores in the three counties report that they charge a fee to cash checks. Check-cashing policies vary somewhat by store type. All supermarkets (100 percent) cash ASSETS checks, compared to just under 60 percent of smaller stores. Fewer supermarkets than smaller stores require a purchase

**Exhibit 3.17**

**RETAILERS' CHECK-CASHING POLICIES AND EXPERIENCES**

	Supermarkets		Smaller stores		All stores	
	Number	Percent of supermarkets	Number	Percent of smaller stores	Number	Percent of all retailers
<b><u>All Stores (N=152)</u></b>						
Stores that cash ASSETS checks	46	100.0%	68	59.3%	114	65.8%
<b><u>Store Policies Regarding ASSETS Checks<sup>a</sup></u></b>						
Stores that require a purchase to cash ASSETS checks	11	23.9	34	43.8	45	38.9
Stores that limit the size of ASSETS checks they will cash	9	19.6	26	38.2	35	33.7
Stores that require ID to cash ASSETS checks	46	100.0	63	84.2	109	88.0
Stores that charge a fee to cash ASSETS checks	3	6.5	8	11.1	11	10.0
<b><u>Stores' Experiences Cashing ASSETS Checks<sup>a</sup></u></b>						
Stores that have run low on cash because of cashing ASSETS checks	29	63.0	27	25.8	56	34.9
Stores that have increased the amount of cash on hand because of cashing ASSETS checks	37	80.4	29	34.0	66	45.4
Stores that have cashed fraudulent or bad ASSETS checks	14	30.4	13	10.0	27	15.0

Source: Evaluation of the Alabama ASSETS Demonstration, survey of food retailers.

Note: a. Percentages based on stores that cash ASSETS checks.

picture ID, or a credit card. Some stores reported that they cash checks only for regular customers or when someone is spending most of the check on purchases in the store.

The percentage of stores that charge a fee for cashing ASSETS checks is fairly small, and it is slightly lower for supermarkets (7 percent) than for smaller stores (11 percent). The reported service fees ranged from one to two dollars or one to three percent of the check's value. The mean fee charged is \$1.18 dollars or 1.8 percent of the check. A few stores report charging a service fee only if the person is not making a purchase or is not a regular customer.

### **Retailers' Experiences Cashing ASSETS Checks**

Retailers may offer check-cashing services to customers because they feel it increases business or, in a small number of cases, because it generates revenues from check-cashing fees. Nonetheless, retailers may also incur costs associated with cashing ASSETS checks. Potential problems associated with cashing checks include the problem of running low on cash, the costs of keeping sufficient cash on hand, and the potential for incurring losses if the retailer cashes a check that is discovered to be fraudulent or otherwise unpayable.

To assess the impact of cashing ASSETS checks on food retailers, we asked stores about problems with cash shortages, keeping more cash on hand, and fraudulent ASSETS checks. Supermarkets, in particular, report that cashing ASSETS checks has affected their cash availability. Nearly two-thirds of supermarkets said they had run low on cash because of cashing ASSETS checks. In contrast, only 26 percent of smaller stores (who cash checks) had run low on cash as a result of cashing ASSETS checks. In response to the increased need for cash on hand to cash ASSETS checks, 80 percent of the supermarkets and 34 percent of the smaller stores have increased the cash they keep in the store. Retailers reported increasing their cash on hand between 0.1 and 400 percent.<sup>1</sup> Retailers who cash checks have increased their cash on hand by 20 percent, on average. As noted above, some retailers have incurred increased bank fees and insurance costs related to the increases in cash they keep on hand.

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<sup>1</sup>Several retailers noted that they have increased the amount of cash on hand only during times when they expect recipients to be receiving their checks.

Retailers potentially may incur costs if they cash checks that are found to be fraudulent, altered, expired, or unpayable for some reason. A total of 27 of the 152 stores in the sample reported having cashed at least one fraudulent or bad ASSETS check since cash-out began. These stores represent 30 percent of supermarkets and 10 percent of the smaller stores that cash ASSETS checks. The number of fraudulent checks reported by retailers since cash-out began ranged from 1 to 20, and averaged 1.1 checks per retailer who cashes checks. Reported losses due to fraudulent ASSETS checks ranged from zero to \$4000 and averaged \$206 (including all stores that cash checks). Thus, while retailers potentially may incur losses due to fraudulent checks, the incidence and losses, on average, have been fairly low.

### **3.6 SUMMARY OF THE FINDINGS ON THE EFFECTS OF CASH-OUT ON FOOD RETAILERS**

The findings suggest that many of the food retailers authorized to participate in the Food Stamp Program in the three ASSETS counties prefer the food stamp coupon system to cash-out. Managers of supermarkets in particular overwhelmingly prefer coupons. When retailers' responses are weighted by food stamp redemptions, those who prefer coupons manage stores that redeemed close to 90 percent of redemptions prior to cash-out.

The findings indicate that, on average, food retailers perceive that cash-out has hurt store sales (both food sales and total sales) and store profits. Retailers report, on average, a decrease in total monthly staff hours of about 4 percent due to the decreases in sales they associate with cash-out.

Some retailers, especially in smaller stores, prefer cash-out, primarily because of the reduction in the handling and reconciliation burden that results from the elimination of food stamp coupons. Retailers' perceptions of changes in staff time spent on customer checkout and reconciliation and handling suggest that cash-out may reduce certain costs. For some retailers, however, increases in check-cashing activities associated with cashing ASSETS checks may have offset decreases in time spent handling coupons.

Most retailers who prefer coupons felt strongly that food assistance benefits should be spent on food, and they perceive that under cash-out less of the benefits are being spent on food.

Retailers' reports of decreased food sales are consistent with the findings of the household expenditures analysis. As discussed in Chapter Two, household food expenditures are close to 20 percent lower in the ASSETS counties than in the comparison counties. While the difference in the level of food expenditures between the two groups could be due to differences in expenditures that existed prior to cash-out, retailers' perceptions of decreases in food sales are consistent with a decrease in food expenditures after cash-out in the ASSETS counties.

However, we asked retailers for their perceptions of changes in food sales due to cash-out and did not collect actual sales data before and after the switch. The impacts on food sales of other changes occurring at the same time as cash-out, such as the recession or a new store opening, may be hard for retailers to separate from the impacts of cash-out. In addition, after cash-out, food stamp recipients are less readily identifiable compared to when they used coupons, and so retailers may perceive a lower level of food sales to food benefit recipients because they no longer can easily identify all recipients. For example, retailers' perceptions of changes in recipients' shopping patterns differ from recipients' reported patterns: food retailers perceive that recipients are shopping less in supermarkets even though recipients do not report fewer trips to supermarkets. Finally, retailers in Alabama were concerned about cash-out even prior to its implementation and their reported impacts may be biased by their dislike of this program change.





## **CHAPTER FOUR**

### **CONCLUSIONS**

#### **4.1 SUMMARY OF FINDINGS ON THE EFFECTS OF CASH-OUT ON HOUSEHOLDS AND FOOD RETAILERS**

Within the context of a wider welfare reform demonstration, the ASSETS Program provides food benefits to participants in the form of a check instead of food stamp coupons. As one component of the evaluation of the ASSETS Program, this report investigates the impact of cashing out food benefits on recipients and food retailers. The key findings of the analysis are:

- Total food expenditures, adjusted for household size and composition, are about 18 percent lower for the ASSETS households than for comparison households.
- The ASSETS-comparison difference in food expenditures is greater at the lower end of the distribution of food spending. ASSETS households in the lowest quartile of spending on food per AME spent about 30 percent less on food than their counterparts in the comparison counties, while those in the top quartile spent about 15 percent less.
- ASSETS households spend about 4 percent more of their food budgets on food away from home, though both groups eat about the same number of meals away from home each week (less than 3).
- Total expenditures per household were similar for ASSETS and comparison households. ASSETS households, on average, spend more on housing, utilities, and transportation than do comparison households.
- Although food expenditures are lower for ASSETS households, about 80 percent of households in both groups report having enough to eat, if not always the types of foods they would prefer.
- More ASSETS than comparison households report skipping meals because of a lack of food, though fewer than 10 percent of households report skipping any meals.
- More ASSETS households produce some of their own food (from gardens, hunting, fishing, or raising livestock, for example), than comparison households. About 14 percent of ASSETS households produce some food at home compared to 9 percent of comparison households.

- ASSETS households with children spent more than 20 percent less on food than comparison households with children. However, there is no evidence that more ASSETS than comparison households with children perceive their food supply to be inadequate.
- Elderly ASSETS and comparison recipients report similar levels of food and non-food expenditures, yet more elderly ASSETS households perceive their food supply as inadequate.
- There is no evidence of large or widespread increases in food prices or rents related to cash-out. ASSETS participants do pay significantly more in rent than comparison households, though it appears that much of the rent differential existed before cash-out was implemented.
- ASSETS participants are generally very positive about cash-out. Nearly 60 percent of ASSETS participants prefer checks to food stamp coupons, and only about 15 percent prefer coupons.
- Most food retailers in the ASSETS counties do not view cash-out favorably. Managers of supermarkets in particular overwhelmingly prefer food stamp coupons to checks.
- Food retailers report that store sales (both total and food sales) and profits have decreased as a result of cash-out.

While food expenditures are significantly lower in the ASSETS counties than in the comparison counties, we cannot draw any implications about the adequacy of recipients' food supply or nutrition based on the level of food expenditures, because the study design did not include a survey to measure food use or nutrient availability. The evidence available suggests, however, that the frequency of perceived food inadequacy is not substantially greater, on average, for the ASSETS households than for comparison households.

It is possible that some difference in average food expenditures existed between households in the two groups even prior to cash-out. The large difference in mean rent paid between the two groups suggests that ASSETS households may have spent a larger portion of their household budgets on shelter before cash-out. If such county-level differences between the two groups affect expenditure patterns, then attributing the entire difference in food expenditures to cash-out may be misleading. Nonetheless, in each pair of matched counties the ASSETS households report food expenditures (per AME) between 10 and 21 percent less than the comparison households. Thus, we conclude that ASSETS households have decreased their food

spending as a result of cash-out, shifting some of their spending to other necessities such as housing and transportation. The actual decrease, however, was probably somewhat less than the observed 18 percent difference in food expenditures.

#### **4.2 COMPARISON WITH FINDINGS FROM THE PURE FOOD STAMP CASH-OUT DEMONSTRATIONS**

The results of other cash-out demonstrations provide a useful context for considering the results of the ASSETS cash-out demonstration. In this section we compare key findings from this study with findings from the San Diego and Alabama Cash-Out Demonstrations. The San Diego and Alabama Food Stamp Cash-out Demonstrations were "pure," that is, no other policy or program changes were undertaken. In both sites, a portion of the caseload was randomly selected to receive checks instead of food stamp coupons.

We compare below the findings from the three studies on key measures of food expenditures and household perceptions of food adequacy. It should be noted, however, that the primary measure of food spending differs between this study and the two pure cash-out studies. Data on **food use** were collected for the two pure cash-out studies, and so the dollar value of food used is based on the quantities and prices of food used by the household.<sup>1</sup> In the ASSETS study, data were collected on **expenditures** on food, but no data were collected on food use.

Exhibit 4.1 compares the findings of the three demonstrations on the effects of cash-out on food expenditures per household and per adult male equivalent (AME). The results of the three studies are quite different. In the Alabama pure cash-out demonstration, the value of food used at home is basically the same for check and coupon households. In contrast, in the ASSETS demonstration, ASSETS households (who receive checks) spent 22 percent less on food at home per AME than did comparison households (who receive coupons).<sup>2</sup> The findings from

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<sup>1</sup>These studies also collected data on food expenditures, but they rely on the food use data as the primary measure because the researchers felt these data were more complete and more reliable than the expenditure data.

<sup>2</sup>The ASSETS-comparison difference of 18 percent reported earlier is the difference in **total** food expenditures (food away from home plus food at home). The other two studies rely on the money value of food used at home as their primary measure, so for comparability we report here the ASSETS-comparison difference in expenditures for food to be eaten at home.

**Exhibit 4.1**

**COMPARISON OF FINDINGS ON FOOD EXPENDITURES**

Monthly expenditures	Mean Expenditures			
	Check	Coupon	Absolute Difference	Percentage Difference
<u>Per household</u>				
ASSETS demonstration <sup>a</sup>	\$153.81	\$210.25	-\$56.44**	-26.8 %
Alabama pure cash-out <sup>b</sup>	238.48	235.86	2.62	1.1 %
San Diego pure cash-out <sup>b</sup>	274.94	297.17	-22.23**	-7.5 %
<u>Per adult male equivalent (AME)</u>				
ASSETS demonstration <sup>a</sup>	\$90.44	\$115.87	-\$25.43**	-21.9 %
Alabama pure cash-out <sup>b</sup>	126.55	126.85	-0.30	-0.3 %
San Diego pure cash-out <sup>b</sup>	127.41	136.83	-9.42**	-6.9 %

Notes: a. Monthly expenditures on food purchased from stores.

b. The weekly money value of purchased food used at home was multiplied by 4.3 to obtain a monthly measure.

Sources: ASSETS: Evaluation of the Alabama ASSETS Demonstration, household survey.

Alabama pure cash-out: Thomas M. Fraker, et al., The Evaluation of the Alabama Food Stamp Cash-Out Demonstration, Volume I, Mathematica Policy Research, Inc., September 1992, pp.64.

San Diego pure cash-out: James C. Ohls, et al., The Effects of Cash-Out on Food Use by Food Stamp Participants in San Diego, Mathematica Policy Research, Inc., December 1992, pp. 48.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

San Diego are between the other two: check households spent about 7 percent less on food used at home per AIME than did coupon households.

Exhibit 4.2 compares households' perceptions of food adequacy for the three studies. Despite the range of differences in food spending between check and coupon households found in the three studies, none found a significant difference in the proportion of households that perceive their food supply as inadequate. Similarly, differences in the proportion of households reporting days when they had no food, no benefits, and no money to buy food are not significant. In the ASSETS demonstration, more ASSETS than comparison households report that household members skipped meals because of a lack of food and money in the previous month. The other two studies, however, found no significant difference in the proportion of check and coupon households who skipped meals. While ASSETS households reported skipping meals more frequently than coupon households, there is no significant difference in the proportion of households that perceive their food supply to be inadequate.

It is puzzling that the studies of cash-out find such different impacts on food expenditures, especially the two studies conducted in the same state. Four types of explanations are possible (and are not mutually exclusive):

- First, that (pre-existing) county differences underlie the difference in food expenditures between the ASSETS and comparison households;
- Second, that county-wide cash-out leads to different impacts than a small scale cash-out, for example because of "community effects" such as an increase in rents;
- Third, that differences in the way the three demonstrations were implemented affected the behavior of recipients ("implementation effects").
- Fourth, the effect of cash-out depends on the proportion of households who, in the absence of cash-out, would be constrained by the coupon system, that is, who would spend less on food than their food benefit amount.

In the summary of the chapter on the effects of cash-out on households (Section 2.9), we reviewed the reasons why the first two factors do not fully explain the difference in food expenditures between ASSETS and comparison households. In brief, the fact that the ASSETS households spent less on food than the comparison households in each matched pair of counties

## Exhibit 4.2

### COMPARISON OF FINDINGS ON HOUSEHOLDS' PERCEPTIONS OF FOOD ADEQUACY

Households reporting:	Percent of households		
	Check	Coupon	Difference
Sometimes or often not enough to eat in previous month			
ASSETS demonstration	16.1	13.1	3.0
Alabama pure cash-out	16.0	18.6	-2.6
San Diego pure cash-out	26.9	30.9	-4.0
Any days in previous month when household had no food, benefits, or money?			
ASSETS demonstration	19.2	19.8	-0.6
Alabama pure cash-out	21.2	23.4	-2.2
San Diego pure cash-out	33.5	37.8	-4.2
Any meals skipped in previous month due to lack of food and resources?			
ASSETS demonstration	9.4	5.5	3.9**
Alabama pure cash-out	8.2	9.9	-1.7
San Diego pure cash-out	17.8	21.6	-3.9

Sources: ASSETS: Evaluation of the Alabama ASSETS Demonstration, household survey.

Alabama pure cash-out: Thomas M. Fraker, et al., The Evaluation of the Alabama Food Stamp Cash-Out Demonstration, Volume I, Mathematica Policy Research, Inc., September 1992, pp.64.

San Diego pure cash-out: James C. Ohls, et al., The Effects of Cash-Out on Food Use by Food Stamp Participants in San Diego, Mathematica Policy Research, Inc., December 1992, pp. 48.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

makes it unlikely that county differences would explain the entire difference. Also, there was little evidence from the survey of faster or larger increases in rents or food prices that would indicate the existence of a community effect. In addition, retailers' perception of a drop in food sales is consistent with a decrease in food expenditures by recipients.

The third possible explanation is that the impact of cash-out differed (at least in part) because of the characteristics of the demonstrations themselves. This explanation probably accounts for some of the difference between the ASSETS results and those of the pure cash-out demonstration in Alabama. The Alabama pure cash-out demonstration was small, much less visible, and was implemented for a much shorter time period than the ASSETS demonstration. Check recipients in the pure cash-out demonstration in Alabama knew that the change was only for a limited period of time, and they were told they might be part of a study. In contrast, cash-out in the ASSETS counties was implemented for the entire caseload in each county and was expected to last about four years. Also, for AFDC recipients, combining the food benefits with AFDC benefits into one check may make it harder to distinguish which benefits are intended for food, and may send a message that the benefits are not separable.<sup>1</sup>

Further support for the implementation hypothesis comes from Alabama DHR staff. They report that during the pure cash-out demonstration, caseworkers placed much more emphasis on the importance of using the check benefits for food. In addition, they report receiving telephone calls from food retailers who reported "insisting" that people use the checks to buy only food. Purchases with the food benefit checks were not restricted during the Alabama pure cash-out demonstration, but such an atmosphere could have influenced recipients' behavior. For all these reasons, it is plausible that recipients' behavior in Alabama changed less under pure cash-out than in the ASSETS demonstration. If this is true, the impacts that occurred in the ASSETS cash-out may be more representative of the behavior that would be seen in a full implementation of cash-out.

The implementation of the San Diego pure cash-out demonstration was, in some ways, more like ASSETS cash-out than Alabama pure cash-out. The pure cash-out demonstration was larger in San Diego than in Alabama: initially 20 percent of the caseload was cashed out, and

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<sup>1</sup>In the pure cash-out demonstration in Alabama, checks for food benefits were mailed once a month separately from any other benefits (such as AFDC).



after the initial study period the entire caseload was given checks. The San Diego demonstration is scheduled to run for several years. In contrast, 4 percent of the caseload in the Alabama pure cash-out demonstration was cashed out; they received checks for less than one year and then were converted back to coupons. Households in San Diego that receive AFDC benefits receive one combined check for AFDC and food stamp benefits, as in ASSETS. These factors suggest that the differences between the San Diego and ASSETS demonstration results do not stem from differences in the implementation of the demonstrations.

The fourth explanation noted above may help explain the difference between the San Diego and ASSETS demonstration results. Economic theory predicts that cash-out will have an impact on food expenditures primarily for those households that are "constrained" by the coupon system to spend more on food, and less on non-food items, than they would if they had cash. We can estimate the proportion of households that are constrained by computing food expenditures as a percent of food stamp benefits. If a household's food expenditures are less than 100 percent percent of its food benefits, that household may prefer to spend some of its cash food benefits on non-food items.

A much larger proportion of households in Alabama than in San Diego are constrained by the coupon system in this sense. In the three matched comparison counties for the ASSETS demonstration, one-third of coupon households reported food expenditures that were less than their food stamp benefits. In contrast, in San Diego nearly all coupon households were unconstrained: the value of food used at home was less than 100 percent of the benefit for only 5 percent of households.<sup>1</sup> Given the lower levels of cash income and greater fraction of constrained households in the ASSETS counties, it is not surprising that the effect of cash-out on food expenditures was larger than in San Diego.<sup>2</sup>

The findings of these studies suggest that the effects of cash-out are likely to depend on two key factors. First, cash-out is likely to have a larger impact on food expenditures in areas

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<sup>1</sup>James C. Ohls, et al., 1992, pp.53.

<sup>2</sup>Evidence from the San Diego and Alabama pure cash-out demonstrations suggests that recipients underreport food expenditures. If so, the proportion of ASSETS households whose food expenditures are less than their food benefits is likely to be overestimated. Nonetheless, given the low levels of cash income in Alabama relative to San Diego, it is likely that the proportion of constrained households is much higher in Alabama.

where food stamps make up a sizeable portion of low-income households' total cash income and where a large proportion of households are constrained under the coupon system. Second, the effects of cash-out may be influenced by implementation decisions. For example, keeping the food benefit check separate from other benefits and having caseworkers emphasize that the purpose of the food check is to buy food may affect participants' response to cash-out.



## **APPENDIX A**

### **FINAL DISPOSITION OF ALL SAMPLE CASES, HOUSEHOLD SURVEY**



**Exhibit A.1**

**FINAL DISPOSITION OF ALL SAMPLE CASES**

	Total sample cases	Number of ineligible cases	Ineligibility rate <sup>a</sup>	Number of eligible cases	Number of incomplete cases	Number of completed cases	Response rate <sup>b</sup>
<b><u>ASSETS Counties</u></b>							
Clarke	126	7	5.6%	119	16	103	86.6%
Limestone	150	11	7.3%	139	16	123	88.5%
Madison	655	73	11.1%	582	88	494	84.9%
Total	931	91	9.8%	840	120	720	85.7%
<b><u>Comparison Counties</u></b>							
Butler	148	21	14.2%	127	25	102	80.3%
Chilton	143	27	18.9%	116	20	96	82.8%
Tuscaloosa	639	79	12.4%	560	107	453	80.9%
Total	930	127	13.7%	803	152	651	81.1%
<b>Grand Total</b>	<b>1,861</b>	<b>218</b>	<b>11.7%</b>	<b>1,643</b>	<b>272</b>	<b>1,371</b>	<b>83.4%</b>

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: a. Ineligibility rate is the number of ineligible cases as a percent of total sample cases.

b. The response rate is the number of completed cases as a percent of eligible cases in the sample.

**Exhibit A.2**

**INELIGIBLE CASES BY COUNTY**

		Ineligible cases				
	Total sample cases	Screened out <sup>1</sup>	Moved out of county	Respondent deceased	Other ineligible cases <sup>2</sup>	Total ineligible cases
<u>ASSETS Counties</u>						
Clarke	126	3	4	0	0	7
Limestone	150	0	10	0	1	11
Madison	655	44	19	4	6	73
Total	931	47	33	4	7	91
<u>Comparison Counties</u>						
Butler	148	17	3	0	1	21
Chilton	143	7	18	0	2	27
Tuscaloosa	639	63	9	3	4	79
Total	930	87	30	3	7	127
Grand Total	1,861	134	63	7	14	218

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: 1. Respondent did not receive food stamp or ASSETS benefits in each of the two months prior to the interview.

2. Includes respondents living in institutions (nursing homes, group homes and prison) and incompetent respondents.

### Exhibit A.3

#### DISPOSITION OF CASES NOT COMPLETED BY COUNTY

		Cases not completed					
	Total eligible cases	Refusal	Unlocated	Language barrier	Exhausted attempts <sup>1</sup>	Other incompletes <sup>2</sup>	Total cases not completed
<u>ASSETS Counties</u>							
Clarke	119	1	2	0	13	0	16
Limestone	139	5	6	0	4	1	16
Madison	582	11	29	1	43	4	88
Total	840	17	37	1	60	5	120
<u>Comparison Counties</u>							
Butler	127	2	0	0	23	0	25
Chilton	116	2	5	2	9	2	20
Tuscaloosa	560	9	26	1	65	6	107
Total	803	13	31	3	97	8	152
Grand Total	1,643	30	68	4	157	13	272

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Notes: 1. Interviewer exhausted attempts to contact the respondent.

2. Cases in which the respondent was ill or away during the data collection period.





## **APPENDIX B**

### **COMPARISON-OF-MEANS ANALYSIS BY MATCHED COUNTY PAIRS**



### Exhibit B.1

#### MEAN EXPENDITURES BY COUNTY PAIRS: CLARKE AND BUTLER COUNTIES

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	Clarke County (ASSETS)	Butler County (Comparison)	Difference	Percentage Difference
<hr/>				
<u>Expenditures per household</u>				
Food at home	173.64	224.61	-50.97**	-22.7%
Food away from home	21.00	15.26	5.74	37.6
Total food	195.27	240.18	-44.91*	-18.7
Total expenditures	719.51	559.93	159.58*	28.5
 <u>Expenditures per adult male equivalent</u>				
Food at home per AME	92.04	110.68	-18.65*	-16.9%
Food away from home per AME	13.20	9.29	3.91	42.1
Total food per AME	105.96	120.58	-14.62+	-12.1

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Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

+ Significant at the 10-percent level, one-tailed test.

**Exhibit B.2**

**MEAN EXPENDITURES BY COUNTY PAIRS:  
LIMESTONE-CHILTON COUNTIES**

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	Limestone County (ASSETS)	Chilton County (Comparison)	Difference	Percentage Difference
<hr/>				
<u>Expenditures per household</u>				
Food at home	145.37	188.18	-42.81**	-22.7%
Food away from home	18.17	12.80	5.37	42.0
Total food	163.54	200.98	-37.44*	-18.6
Total expenditures	584.83	640.32	-55.49	-8.7
 <u>Expenditures per adult male equivalent</u>				
Food at home per AME	91.86	107.66	-15.80*	-14.7%
Food away from home per AME	11.35	6.97	4.39*	63.0
Total food per AME	103.21	114.63	-11.42+	-10.0

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Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

+ Significant at the 10-percent level, one-tailed test.

**Exhibit B.3**

**MEAN EXPENDITURES BY COUNTY PAIRS:  
MADISON-TUSCALOOSA COUNTIES**

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	Madison County (ASSETS)	Tuscaloosa County (Comparison)	Difference	Percentage Difference
<hr/>				
<u>Expenditures per household</u>				
Food at home	151.81	211.70	-59.90**	-28.3%
Food away from home	24.18	23.52	0.66	2.8
Total food	176.13	235.55	-59.42**	-25.2
Total expenditures	650.44	691.32	-40.88	-5.9
 <u>Expenditures per adult male equivalent</u>				
Food at home per AME	89.74	118.75	-29.01**	-24.4%
Food away from home per AME	13.16	11.95	1.21	10.1
Total food per AME	102.98	130.83	-27.85**	-21.3

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Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.



## **APPENDIX C**

### **REGRESSION ANALYSIS OF THE EFFECTS OF CASH-OUT ON HOUSEHOLD EXPENDITURES**





## **REGRESSION MODELS FOR KEY ANALYSIS VARIABLES**

Results of the regression analysis for key outcome variables are shown in the exhibits in this appendix. A number of specifications other than those shown were also tested. In particular, various measures of household size were tried, such as including the number of adults and the number of children separately, and including the number of members instead of the number of adult male equivalents. These alternative specifications did not affect the basic results.

The regression coefficients and the differences-in-means are remarkably similar for the key analysis variables. This is somewhat surprising, given the differences in certain demographic characteristics between the groups. The analysis shows that, as expected, there are a number of factors that affect expenditures. The effects of these factors counterbalance each other, and so despite differences in characteristics between the two groups, the difference-in-means and regression results are similar.

We also tested for the possibility of multicollinearity among the explanatory variables. None of the simple correlations between pairs of the explanatory variables were greater than 0.7, and most were considerably smaller. We also regressed each explanatory variable on all other explanatory variables and found no evidence of strong linear relationships among them. Based on these tests we conclude that multicollinearity is not a problem for the analysis.

**Exhibit C.1****COMPARISON OF DIFFERENCE-IN-MEANS ESTIMATES  
AND REGRESSION ESTIMATES**

	Difference-in-means Estimate	Regression Estimate
Total food expenditures per adult male equivalent	-23.42**	-26.71**
Food expenditures from stores per adult male equivalent	-25.43**	-28.09**
Expenditures on food away from home per adult male equivalent	2.05	1.49
Total food expenditures per household	-54.47**	-52.27**
Nonfood expenditures per household	38.73*	43.97*
Total expenditures per household	-14.34	-7.67
Shelter expenditures per household	20.47*	17.53*
Transportation expenditures per household	23.57*	23.26**
Food expenditures as a percent of total expenditures	-5.90**	-6.00**

\*\* Significant at the 1-percent level, one-tailed test.

\* Significant at the 5-percent level, one-tailed test.

**Exhibit C.2****Regression Model for Total Food Expenditures  
per Adult Male Equivalent**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	148.44	6.17	24.04
ASSETS indicator	-26.71	3.21	-8.32
Income excluding food benefits <sup>a</sup>	1.18	0.50	2.35
Food benefit amount <sup>a,b</sup>	6.41	2.01	3.19
Receives WIC benefits	1.00	4.63	0.22
Rural county indicator	-5.20	3.54	-1.47
Household size in adult male equivalents	-19.37	2.41	-8.05
Household includes children	-1.69	5.14	-0.33
Household includes elderly person(s)	6.16	5.09	1.21
Household has savings	6.49	3.48	1.86
Public housing	-1.47	3.87	-0.38
Pays rent	-2.54	3.28	-0.77
Receives AFDC benefits	7.95	4.20	1.89
Participates in USDA surplus commodity program	6.50	4.42	1.47
Income of other household members <sup>c</sup>	0.96	0.57	1.69
Sampled Person is male	-7.35	3.94	-1.87
Sampled Person is a minority	-8.37	3.42	-2.45
Sampled Person is under age 30	4.92	4.03	1.22
Sampled Person has less than a 9th grade education	8.94	4.61	1.94
Sampled Person graduated high school	5.05	3.69	1.37
Sampled Person has been receiving food benefits for less than one year	1.89	3.59	0.53
Number of observations:	1350		
Mean of the dependent variable:	114.56		
R-squared:	0.16		

Notes: a. All income and benefit amount variables were divided by 100.

b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.

c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.3****Regression Model for Expenditures on Food From Stores  
per Adult Male Equivalent (AME)**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	141.42	5.37	26.35
ASSETS indicator	-28.09	2.79	-10.08
Income excluding food benefits <sup>a</sup>	0.53	0.44	1.21
Food benefit amount <sup>a,b</sup>	7.38	1.74	4.24
Receives WIC benefits	2.46	4.02	0.61
Rural county indicator	-5.50	3.08	-1.79
Household size in adult male equivalents	-17.57	2.09	-8.42
Household includes children	-2.21	4.47	-0.50
Household includes elderly person(s)	11.00	4.42	2.50
Household has savings	0.51	3.02	0.17
Public housing	-1.63	3.36	-0.48
Pays rent	-2.43	2.85	-0.85
Receives AFDC benefits	6.53	3.66	1.79
Participates in USDA surplus commodity program	7.51	3.84	1.96
Income of other household members <sup>a,c</sup>	0.74	0.49	1.51
Sampled Person is male	-5.85	3.42	-1.71
Sampled Person is a minority	-11.26	2.97	-3.80
Sampled Person is under age 30	-0.84	3.50	-0.24
Sampled Person has less than a 9th grade education	7.69	4.00	1.92
Sampled Person graduated high school	2.67	3.20	0.83
Sampled Person has been receiving food benefits for less than one year	-0.64	3.11	-0.21
Number of observations:	1353		
Mean of the dependent variable:	102.52		
R-squared:	0.20		

Notes: a. All income and benefit amount variables were divided by 100.

b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.

c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.4****Regression Model for Expenditures on Food Eaten Away from Home  
per Adult Male Equivalent (AME)**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	6.75	2.54	2.65
ASSETS indicator	1.49	1.33	1.12
Income excluding food benefits <sup>a</sup>	0.66	0.21	3.20
Food benefit amount <sup>a,b</sup>	-0.90	0.83	-1.08
Receives WIC benefits	-1.43	1.91	-0.75
Rural county indicator	0.39	1.46	0.27
Household size in adult male equivalents	-1.91	0.99	-1.92
Household includes children	0.65	2.12	0.31
Household includes elderly person(s)	-5.11	2.10	-2.43
Household has savings	5.92	1.44	4.11
Public housing	0.21	1.60	0.13
Pays rent	-0.03	1.36	-0.02
Receives AFDC benefits	1.39	1.73	0.80
Participates in USDA surplus commodity program	-1.05	1.83	-0.57
Income of other household members <sup>a,c</sup>	0.22	0.23	0.93
Sampled Person is male	-1.53	1.63	-0.94
Sampled Person is a minority	3.01	1.41	2.14
Sampled Person is under age 30	5.75	1.66	3.46
Sampled Person has less than a 9th grade education	1.43	1.91	0.75
Sampled Person graduated high school	2.31	1.52	1.51
Sampled Person has been receiving food benefits for less than one year	2.55	1.48	1.72
Number of observations:	1356		
Mean of the dependent variable:	11.88		
R-squared:	0.07		

- Note: a. All income and benefit amount variables were divided by 100.  
b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.  
c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.5**

**Regression Model for Total Food Expenditures**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	65.96	10.46	6.30
ASSETS indicator	-52.27	5.44	-9.61
Income excluding food benefits <sup>a</sup>	2.51	0.85	2.95
Food benefit amount <sup>a,b</sup>	19.21	3.40	5.64
Receives WIC benefits	-8.87	7.84	-1.13
Rural county indicator	-8.68	6.01	-1.45
Household size in adult male equivalents	50.49	4.08	12.38
Household includes children	19.47	8.71	2.23
Household includes elderly person(s)	2.72	8.63	0.32
Household has savings	13.38	5.90	2.27
Public housing	-11.36	6.55	-1.73
Pays rent	-0.53	5.56	-0.10
Receives AFDC benefits	21.86	7.12	3.07
Participates in USDA surplus commodity program	11.71	7.50	1.56
Income of other household members <sup>a,c</sup>	0.52	0.96	0.55
Sampled Person is male	-4.28	6.67	-0.64
Sampled Person is a minority	-9.46	5.79	-1.63
Sampled Person is under age 30	14.14	6.82	2.07
Sampled Person has less than a 9th grade education	13.54	7.81	1.73
Sampled Person graduated high school	9.84	6.25	1.57
Sampled Person has been receiving food benefits for less than one year	1.15	6.08	0.19
Number of observations:	1350		
Mean of the dependent variable:	202.48		
R-squared:	0.50		

Notes: a. All income and benefit amount variables were divided by 100.

b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.

c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.6**  
**Regression Model for Non-Food Expenditures**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	58.33	34.69	1.68
ASSETS indicator	43.97	18.05	2.44
Income excluding food benefits <sup>a</sup>	48.22	2.83	17.03
Food benefit amount <sup>a,b</sup>	6.76	11.29	0.60
Receives WIC benefits	-76.15	26.13	-2.91
Rural county indicator	-27.08	19.96	-1.36
Household size in adult male equivalents	65.60	13.51	4.86
Household includes children	2.30	28.90	0.08
Household includes elderly person(s)	-76.48	28.65	-2.67
Household has savings	44.42	19.61	2.27
Public housing	-89.48	21.82	-4.10
Pays rent	69.91	18.48	3.78
Receives AFDC benefits	-38.34	23.67	-1.62
Participates in USDA surplus commodity program	19.64	24.89	0.79
Income of other household members <sup>a,c</sup>	-5.74	3.20	-1.80
Sampled Person is male	-72.81	22.13	-3.29
Sampled Person is a minority	-9.27	19.21	-0.48
Sampled Person is under age 30	31.19	22.68	1.38
Sampled Person has less than a 9th grade education	9.19	25.97	0.35
Sampled Person graduated high school	73.58	20.77	3.54
Sampled Person has been receiving food benefits for less than one year	30.55	20.18	1.51
Number of observations:	1360		
Mean of the dependent variable:	453.34		
R-squared:	0.40		

- Notes: a. All income and benefit amount variables were divided by 100.  
b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.  
c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.



**Exhibit C.7**

**Regression Model for Total Household Expenditures**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	124.56	37.55	3.32
ASSETS indicator	-7.67	19.51	-0.39
Income excluding food benefits <sup>a</sup>	50.57	3.05	16.57
Food benefit amount <sup>a,b</sup>	24.77	12.21	2.03
Receives WIC benefits	-85.45	28.13	-3.04
Rural county indicator	-35.93	21.55	-1.67
Household size in adult male equivalents	117.96	14.63	8.06
Household includes children	20.22	31.27	0.65
Household includes elderly person(s)	-74.80	30.97	-2.42
Household has savings	55.99	21.16	2.65
Public housing	-101.82	23.51	-4.33
Pays rent	70.73	19.94	3.55
Receives AFDC benefits	-17.70	25.56	-0.69
Participates in USDA surplus commodity program	31.11	26.90	1.16
Income of other household members <sup>a,c</sup>	-5.21	3.44	-1.52
Sampled Person is male	-79.34	23.95	-3.31
Sampled Person is a minority	-18.51	20.77	-0.89
Sampled Person is under age 30	46.65	24.48	1.91
Sampled Person has less than a 9th grade education	23.93	28.03	0.85
Sampled Person graduated high school	83.54	22.43	3.72
Sampled Person has been receiving food benefits for less than one year	32.18	21.83	1.47
Number of observations:	1350		
Mean of the dependent variable:	656.19		
R-squared:	0.48		

- Notes: a. All income and benefit amount variables were divided by 100.
- b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.
- c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.8****Regression Model for Expenditures on Shelter**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	106.26	14.97	7.10
ASSETS indicator	17.53	7.79	2.25
Income excluding food benefits <sup>a</sup>	10.47	1.22	8.57
Food benefit amount <sup>a,b</sup>	-13.27	4.87	-2.73
Receives WIC benefits	-30.17	11.28	-2.68
Rural county indicator	-36.06	8.61	-4.19
Household size in adult male equivalents	31.85	5.83	5.46
Household includes children	26.57	12.47	2.13
Household includes elderly person(s)	-15.55	12.37	-1.26
Household has savings	15.86	8.46	1.87
Public housing	-71.69	9.42	-7.61
Pays rent	90.51	7.97	11.35
Receives AFDC benefits	-22.64	10.21	-2.22
Participates in USDA surplus commodity program	0.57	10.74	0.05
Income of other household members <sup>a,c</sup>	-5.30	1.38	-3.85
Sampled Person is male	-29.65	9.55	-3.11
Sampled Person is a minority	-6.49	8.29	-0.78
Sampled Person is under age 30	-0.61	9.79	-0.06
Sampled Person has less than a 9th grade education	11.74	11.21	1.05
Sampled Person graduated high school	17.97	8.97	2.00
Sampled Person has been receiving food benefits for less than one year	15.80	8.71	1.81
Number of observations:	1360		
Mean of the dependent variable:	230.16		
R-squared:	0.34		

Notes: a. All income and benefit amount variables were divided by 100.

b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.

c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.9****Regression Model for Transportation Expenditures**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	-3.86	11.60	-0.33
ASSETS indicator	23.26	6.04	3.85
Income excluding food benefits <sup>a</sup>	10.00	0.95	10.57
Food benefit amount <sup>a,b</sup>	-4.70	3.78	-1.24
Receives WIC benefits	-5.18	8.74	-0.59
Rural county indicator	5.37	6.68	0.81
Household size in adult male equivalents	12.16	4.52	2.69
Household includes children	7.00	9.67	0.73
Household includes elderly person(s)	-30.67	9.58	-3.20
Household has savings	0.03	6.56	0.01
Public housing	-17.94	7.30	-2.46
Pays rent	-0.73	6.18	-0.12
Receives AFDC benefits	-11.38	7.92	-1.44
Participates in USDA surplus commodity program	5.57	8.33	0.67
Income of other household members <sup>a,c</sup>	-0.48	1.07	-0.45
Sampled Person is male	4.69	7.40	0.63
Sampled Person is a minority	-15.91	6.42	-2.48
Sampled Person is under age 30	13.34	7.59	1.76
Sampled Person has less than a 9th grade education	6.47	8.69	0.75
Sampled Person graduated high school	25.38	6.95	3.65
Sampled Person has been receiving food benefits for less than one year	8.76	6.75	1.30
Number of observations:	1360		
Mean of the dependent variable:	73.09		
R-squared:	0.22		

Notes: a. All income and benefit amount variables were divided by 100.

b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.

c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.

**Exhibit C.10****Regression Model for Food as a Percentage of Total Expenditures**

Variable	Estimated coefficient	Standard error	t-statistic
Intercept	46.50	1.99	23.38
ASSETS indicator	-6.00	1.03	-5.81
Income excluding food benefits <sup>a</sup>	-1.49	0.16	-9.24
Food benefit amount <sup>a,b</sup>	2.20	0.65	3.40
Receives WIC benefits	1.68	1.49	1.13
Rural county indicator	-2.22	1.14	-1.95
Household size in adult male equivalents	0.87	0.78	1.12
Household includes children	-2.62	1.66	-1.58
Household includes elderly person(s)	-2.89	1.64	-1.76
Household has savings	-2.69	1.12	-2.40
Public housing	1.60	1.25	1.29
Pays rent	-10.05	1.06	-9.52
Receives AFDC benefits	3.61	1.35	2.67
Participates in USDA surplus commodity program	0.28	1.42	0.20
Income of other household members <sup>a,c</sup>	0.45	0.18	2.48
Sampled Person is male	3.61	1.27	2.85
Sampled Person is a minority	0.46	1.10	0.42
Sampled Person is under age 30	2.23	1.30	1.72
Sampled Person has less than a 9th grade education	0.09	1.48	0.06
Sampled Person graduated high school	-1.99	1.19	-1.67
Sampled Person has been receiving food benefits for less than one year	1.50	1.16	1.30
Number of observations:	1350		
Mean of the dependent variable:	36.39		
R-squared:	0.25		

Notes: a. All income and benefit amount variables were divided by 100.

b. We divided all cash income amounts and ASSETS food benefit amounts by 1.07 or 1.08, to account for the 7 or 8 percent sales tax on food purchases in different counties in Alabama. This adjustment is necessary because food stamp coupon purchases are not subject to sales tax.

c. Total income of household members who are not covered by the food assistance benefit and who do not eat from the same food supply as the Sampled Person.



## **APPENDIX D**

### **WEIGHTED DIFFERENCES-IN-MEANS ANALYSIS**



The research design for the analysis of the effects of cash-out on households in the ASSETS demonstration relies on a comparison group to represent the behavior of the ASSETS households in the absence of cash-out. Because the research design did not randomly assign households from the same population to receive cash food benefits, the comparison households differ from the ASSETS households in a number of ways.<sup>1</sup> The differences in certain demographic characteristics between the ASSETS and comparison households raises the concern that the differences-in-means analysis results could be misleading. If ASSETS and comparison



quite close to one, so that the design effect is small and the standard errors are approximately correct.

As seen in Exhibits D.1 - D.3, the weighted and unweighted differences in expenditures are quite similar. This suggests that the differences in expenditures are not being driven by differences in the demographic characteristics between ASSETS and comparison households. This finding is not surprising, given that the regression analysis, which controls for differences in household characteristics, also found results similar to the unweighted differences-in-means analysis.

### Exhibit D.1

#### COMPARISON OF WEIGHTED AND UNWEIGHTED DIFFERENCE-IN-MEANS ESTIMATES: EMPLOYED VERSUS NOT EMPLOYED HEAD<sup>a</sup>

	Difference-in-means	
	Unweighted	Weighted
Total food expenditures per adult male equivalent	-23.42**	-23.70**
Food expenditures from stores per adult male equivalent	-25.43**	-25.98**
Expenditures on food away from home per adult male equivalent	2.05	2.32
Total food expenditures per household	-54.47**	-54.55**
Nonfood expenditures per household	38.73*	48.88*
Total expenditures per household	-14.34	-1.56
Food expenditures as a percent of total expenditures	-5.90**	-6.19**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\*Significant at the 1-percent level, one-tailed test.

\*Significant at the 5-percent level, one-tailed test.

Note: a. The weighted difference adjusts only for the difference between ASSETS and comparison groups in the percent of households with an employed head of household.

## Exhibit D.2

### COMPARISON OF WEIGHTED AND UNWEIGHTED DIFFERENCE-IN-MEANS ESTIMATES: HOUSEHOLDS WITH CHILDREN<sup>a</sup>

	Difference-in-means	
	Unweighted	Weighted
Total food expenditures per adult male equivalent	-26.90**	-24.48**
Food expenditures from stores per adult male equivalent	-27.43**	-25.26**
Expenditures on food away from home per adult male equivalent	0.53	0.80
Total food expenditures per household	-71.14**	-77.16**
Nonfood expenditures per household	80.70**	59.46*
Total expenditures per household	10.67	-16.62
Food expenditures as a percent of total expenditures	-8.96**	-8.48**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\*Significant at the 1-percent level, one-tailed test.

\*Significant at the 5-percent level, one-tailed test.

Note: a. Households with children were divided into two strata: those with one adult and those with more than one adult in the household. The weighted difference adjusts only for the difference in the proportions of ASSETS and comparison households with children in these two strata.

### Exhibit D.3

#### COMPARISON OF WEIGHTED AND UNWEIGHTED DIFFERENCE-IN-MEANS ESTIMATES: RACE OF HEAD OF HOUSEHOLD<sup>a</sup>

	Difference-in-means	
	Unweighted	Weighted
Total food expenditures per adult male equivalent	-23.42**	-24.42**
Food expenditures from stores per adult male equivalent	-25.43**	-26.76**
Expenditures on food away from home per adult male equivalent	2.05	2.36
Total food expenditures per household	-54.47**	-53.01**
Nonfood expenditures per household	38.73*	37.44*
Total expenditures per household	-14.34	-14.22
Food expenditures as a percent of total expenditures	-5.90**	-5.61**

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

\*\*Significant at the 1-percent level, one-tailed test.

\*Significant at the 5-percent level, one-tailed test.

Note: a. The weighted difference adjusts only for the difference in racial background between the ASSETS and comparison groups.



## **APPENDIX E**

### **STATISTICAL POWER ANALYSIS FOR HOUSEHOLD FOOD EXPENDITURE VARIABLES**



In this appendix we provide statistical power levels for key outcome measures in the study. The power level is defined as the probability of detecting a statistically significant effect, and it depends on the sample size, the true effect size, and the variance of the outcome measure. We provide power calculations for differences-in-means tests for three outcome measures: expenditures per household on food at home, expenditures per household on food away from home, and total food expenditures per household.

For each outcome measure, the exhibits show the power levels for alternative combinations of sample sizes and true differences in mean. The power calculations assume a 95-percent significance level, one-tailed test, and that the mean and standard deviation equal those measured for each outcome variable in the comparison county sample.

For example, Exhibit E.1 shows that if the true difference in expenditures for food at home is \$25, we have a 0.84 percent chance of detecting a statistically significant effect with a sample of 400 treatment cases and 400 control cases. In contrast, if the sample size is only 100 treatment and 100 control cases, we have only a 0.37 percent probability of detecting a significant effect.



**Exhibit E.1**

**STATISTICAL POWER LEVELS FOR DIFFERENCES-IN-MEANS  
TESTS FOR EXPENDITURES FOR FOOD AT HOME<sup>a</sup>**

Sample Size per Group <sup>b</sup>	True Difference-in-Means (Dollars)									
	\$5	10	15	20	25	30	35	40	45	50
100	0.11	0.15	0.20	0.28	0.37	0.48	0.58	0.68	0.77	0.84
200	0.12	0.19	0.30	0.44	0.59	0.72	0.83	0.91	0.96	0.98
400	0.15	0.28	0.48	0.68	0.84	0.94	0.98	>0.99	>0.99	>0.99
600	0.17	0.36	0.62	0.83	0.94	0.99	>0.99	>0.99	>0.99	>0.99
800	0.19	0.44	0.72	0.91	0.98	>0.99	>0.99	>0.99	>0.99	>0.99
1,000	0.22	0.51	0.81	0.96	0.99	>0.99	>0.99	>0.99	>0.99	>0.99

Source: Power calculations based on Dupont, W.D. and W.D. Plummer Jr., 1990, "Power and Sample Size Calculations: A Review and Computer Program," Controlled Clinical Trials, vol. 11, pp.116-128.

- Notes:
- a. We assume the mean is \$210 and the standard deviation is 134, based on survey data from the comparison counties. Power calculations assume a 95-percent significance level and a one-tailed test.
  - b. We assume equal sample sizes from each group so that the total number of observations is twice the sample size shown.

**Exhibit E.2**

**STATISTICAL POWER LEVELS FOR DIFFERENCES-IN-MEANS  
TESTS FOR EXPENDITURES ON FOOD AWAY FROM HOME<sup>a</sup>**

Sample Size per Group <sup>b</sup>	True Difference-in-Means (Dollars)									
	\$1	2	3	4	5	6	7	8	9	10
100	0.10	0.11	0.13	0.15	0.18	0.22	0.26	0.31	0.36	0.41
200	0.11	0.13	0.16	0.21	0.26	0.33	0.40	0.48	0.56	0.64
400	0.11	0.15	0.22	0.31	0.41	0.52	0.63	0.73	0.82	0.88
600	0.12	0.18	0.28	0.40	0.54	0.67	0.78	0.87	0.93	0.97
800	0.13	0.21	0.33	0.48	0.64	0.78	0.88	0.94	0.98	0.99
1,000	0.13	0.23	0.38	0.56	0.72	0.85	0.93	0.97	0.99	>0.99

Source: Power calculations based on Dupont, W.D. and W.D. Plummer Jr., 1990, "Power and Sample Size Calculations: A Review and Computer Program," Controlled Clinical Trials, vol. 11, pp.116-128.

Notes: a. We assume the mean is \$21 and the standard deviation is 50, based on survey data from the comparison counties. Power calculations assume a 95-percent significance level and a one-tailed test.

b. We assume equal sample sizes from each group so that the total number of observations is twice the sample size shown.

**Exhibit E.3**

**STATISTICAL POWER LEVELS FOR DIFFERENCES-IN-MEANS  
TESTS FOR TOTAL FOOD EXPENDITURES\***

Sample Size per Group <sup>b</sup>	True Difference-in-Means (Dollars)									
	\$5	10	15	20	25	30	35	40	45	50
100	0.11	0.14	0.18	0.24	0.32	0.40	0.49	0.59	0.67	0.75
200	0.12	0.17	0.26	0.37	0.50	0.63	0.75	0.84	0.91	0.95
400	0.14	0.24	0.40	0.59	0.75	0.87	0.95	0.98	0.99	>0.99
600	0.15	0.31	0.53	0.74	0.89	0.96	0.99	>0.99	>0.99	>0.99
800	0.17	0.37	0.63	0.84	0.95	0.99	>0.99	>0.99	>0.99	>0.99
1,000	0.19	0.43	0.71	0.90	0.98	>0.99	>0.99	>0.99	>0.99	>0.99

Source: Power calculations based on Dupont, W.D. and W.D. Plummer Jr., 1990, "Power and Sample Size Calculations: A Review and Computer Program," Controlled Clinical Trials, vol. 11, pp.116-128.

- Notes:
- a. We assume the mean is \$231 and the standard deviation is 64, based on survey data from the comparison counties. Power calculations assume a 95-percent significance level and a one-tailed test.
  - b. We assume equal sample sizes from each group so that the total number of observations is twice the sample size shown.

## **APPENDIX F**

### **STANDARD ERROR ESTIMATES FOR KEY OUTCOME MEASURES**



This appendix provides the standard errors for the estimates of key expenditure outcome measures used in the analysis in Chapter Two (The Effects of Cash-Out on Participating Households).

# Exhibit F.1

## STANDARD ERRORS OF THE MEANS FOR FOOD EXPENDITURES

	ASSETS households		Comparison households		ASSETS- Comparison difference
	Sample size	Standard error	Sample size	Standard error	Standard error
<u>Expenditures per household</u>					
Monthly expenditures on food at home	715	3.79	649	5.25	6.47
Monthly expenditures on food away from home	718	1.49	649	1.95	2.46
<b>Total monthly food expenditures</b>	714	4.22	647	5.99	7.33
<u>Expenditures per adult male equivalent (AME)</u>					
Monthly expenditures on food at home per AME	710	1.95	643	2.15	2.90
Monthly expenditures on food away from home, per AME	713	0.93	643	0.92	1.31
<b>Total monthly food expenditures per AME</b>	709	2.14	641	2.52	3.31

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: This exhibit provides the estimated standard errors for the means shown in Exhibit 2.9.

**Exhibit F.2**

**STANDARD ERRORS OF THE MEANS FOR  
HOUSEHOLD EXPENDITURES**

Expenditure Category	ASSETS households		Comparison households		ASSETS- Comparison difference
	Sample size	Standard error	Sample size	Standard error	Standard error
<b>Food</b>	714	4.22	647	5.99	7.33
Food at home	715	3.79	649	5.25	6.47
Food away from home	718	1.49	649	1.95	2.46
<b>Non Food</b>	720	15.05	651	16.41	22.26
Shelter	720	6.70	651	6.11	9.07
Housing	720	4.92	651	3.79	6.21
Utilities	720	3.56	651	3.86	5.25
Medical	720	3.37	651	3.14	4.61
Transportation	720	5.21	651	3.61	6.34
Clothing	720	4.25	651	3.79	5.69
Education	720	3.79	651	8.09	8.93
Dependent Care	720	1.78	651	1.29	2.20
Recreation	720	1.14	651	3.31	3.50
Personal Services	720	0.69	651	0.71	0.99
<b>Total Expenditures</b>	714	17.47	647	18.96	25.78

Source: Evaluation of the Alabama ASSETS Demonstration, household survey.

Note: This exhibit provides the estimated standard errors for the means shown in Exhibit 2.13.





## **APPENDIX G**

### **CONFIDENCE INTERVALS FOR WEIGHTED PROPORTIONS, FOOD RETAILER ANALYSIS**



**Exhibit G.1**

**CONFIDENCE INTERVALS FOR WEIGHTED PROPORTIONS  
FOOD RETAILER ANALYSIS**

Sample Size	Weighted proportion					
	5 % or 95 %	10 % or 90 %	20 % or 80 %	30 % or 70 %	40 % or 60 %	50 %
150	3.5	4.8	6.4	7.3	7.8	8.0
125	3.8	5.3	7.0	8.0	8.6	8.8
100	4.3	5.9	7.8	9.0	9.6	9.8
75	4.9	6.8	9.1	10.4	11.1	11.3
50	6.0	8.3	11.1	12.7	13.6	13.9
35	7.2	9.9	13.3	15.2	16.2	16.6



## **APPENDIX H**

### **DERIVATION OF SAMPLE WEIGHTS FOR THE FOOD RETAILER ANALYSIS**



We employed two methods of weighting in the analysis of the food retailer data. The first method weighted the sample so that it is representative of the population of retailers in the three counties, and the second method weighted retailers' responses by their level of food stamp redemptions prior to cash-out. This second weighting scheme allows the analysis to focus on the retailers most likely to be impacted by cash-out, i.e., those who redeemed most of the food stamp coupons prior to the change.

The weights for supermarkets are straightforward because we included all supermarkets in the sample and completed interviews with all eligible managers. Under the first weighting scheme, the responses of each supermarket manager are weighted by one, i.e., no weights are needed to make the sample supermarkets representative of the population. For the second weighting method, the responses of each supermarket manager are weighted by the volume of food stamp coupons redeemed by the store prior to cash-out.

Derivation of the weights for the smaller stores are more complicated because of the probability-proportionate-to-size (PPS) sampling design. When drawing the PPS sample, some stores were selected with probability one, that is, because their "size" (food stamp redemptions) was large relative to other stores, these stores were selected with certainty. In each county, some number of the smaller stores were selected with certainty. The derivation of the weights differs for stores selected with certainty and those not selected with certainty.

Under the first weighting scheme, certainty stores have a weight equal to their selection probability (which is one) adjusted for non-response. In effect, this factor inflates the sample back up to the size of the eligible population. In Clarke and Limestone Counties, we completed interviews with all eligible certainty stores, so each of these stores has a weight of one. In Madison County, each certainty store has a weight of one times an adjustment factor (detailed below) in order to adjust the sample to be representative of the entire population (of certainty stores) in the county.

The adjustment factor is computed in two steps. First compute the weighted eligibility rate as the sum of the selection probabilities of all eligible stores (completes and non-completes) divided by the sum of all selection probabilities for all eligible and ineligible stores. Multiply this weighted eligibility rate by the sum of the selection probabilities for non-completes (stores for which interviews were never completed) to determine the number of non-completes that were



likely to be eligible. Then, compute the adjustment factor as the sum of the selection probabilities for eligible and ineligible stores divided by the sum of selection probabilities for all completes. This is the adjustment factor, which is, in effect, the inverse of a weighted completion rate.

For non-certainty stores, derivation of the weight for the first weighting method requires two steps: first we calculated the selection probability for each store and then adjusted that by the inverse of the weighted completion rate to inflate the sample back up to the population. The selection probability of a non-certainty store is:

$$S_i = FRS_t / (m_i * FRS_i)$$

where  $FRS_t$  = sum of redemptions for the population of stores in the county, excluding certainty stores,

$m_i$  = number of non-certainty stores to be sampled.

$FRS_i$  = redemption volume for the  $i$ th sample store.

The selection probability is then multiplied by the adjustment factor, calculated as described above, to inflate the sample back up to the population.

For all stores, to compute the second weight, the first weight for the store is multiplied by the volume of food stamp redemptions at that store prior to cash-out. This yields a weight for the store representative of the amount of redemptions prior to cash-out.

## **APPENDIX I**

### **FINAL DISPOSITION OF SAMPLE CASES FOR THE ASSETS FOOD RETAILER SURVEY**



**Exhibit I.1**

**FINAL DISPOSITION OF SAMPLE CASES**

<b>Final Status</b>	<b>Supermarkets</b>	<b>Small and Medium-size Stores</b>	<b>Total</b>
Sample size	51	162	213
<b><u>Ineligible stores</u></b>			
New Manager	4	23	27
Closed	1	13	14
Other ineligible <sup>1</sup>	<u>0</u>	<u>3</u>	<u>3</u>
Total ineligible	5	39	44
<b><u>Eligible stores</u></b>			
Complete	46	106	152
No phone or listing <sup>2</sup>	0	10	10
Incomplete	<u>0</u>	<u>7</u>	<u>7</u>
Total eligible	46	123	169

Source: Evaluation of Alabama ASSETS Demonstration, survey of food retailers.

- Notes:
1. Includes retailers that were listed twice in the FNS Minneapolis Computer Service Center redemption file.
  2. Some of the retailers that we could not contact by telephone may have been ineligible.

**Exhibit I.2**

**FOOD RETAILER SURVEY: FINAL DISPOSITION  
OF SAMPLE CASES BY COUNTY**

Final Status	Clarke			Limestone			Madison		
	Supermarkets	Small and Medium-size Stores	Total	Supermarkets	Small and Medium-size Stores	Total	Supermarkets	Small and Medium-size Stores	Total
Sample size	10	13	23	7	13	20	34	136	170
<u>Ineligible stores</u>									
New manager	1	2	3	1	0	1	2	21	23
Closed	0	0	0	0	0	0	1	13	14
Other ineligible <sup>1</sup>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>
Total ineligible	1	2	3	1	0	1	3	37	40
<u>Eligible stores</u>									
Complete	9	8	17	6	10	16	31	88	119
No phone or no listing <sup>2</sup>	0	2	2	0	3	3	0	5	5
Incomplete	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
Total eligible	9	11	20	6	13	19	31	99	130

Source: Evaluation of Alabama ASSETS Demonstration, survey of food retailers

Notes: 1. Includes retailers that were listed twice in the FNS Minneapolis Computer Service Center redemption file.

2. Some of the retailers that we could not contact by telephone may have been ineligible.

## **APPENDIX J**

### **ADVANCE LETTER TO FOOD RETAILERS**





Associates Inc.

**Dear FOOD RETAILER:**

As you may know, people in your county who participate in the Food Stamp Program currently receive these benefits in the form of a check instead of food stamp coupons. Recipients cash these checks and then can use the money to buy food. Although people from other counties may still use food stamp coupons in your store, you have probably seen some reduction in the volume of food stamps redeemed since (MONTH) 1990 because of this program.

The Alabama Department of Human Resources and the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture, who are sponsoring this demonstration program in your county, want to know how this change in the program -- switching from food stamp coupons to giving people their benefits in a check -- has affected food retailers.

Abt Associates Inc. is conducting a study on behalf of these agencies and is interviewing food retailers like you so that your opinions and concerns about this change in the Food Stamp Program are taken into consideration in future program planning efforts.

Within the next week or so, an interviewer will call you to ask for your participation in a twenty-to thirty-minute interview. We can conduct the interview at that time, or arrange another time at your convenience. The interviewer will ask about information that you should be able to provide easily.

Though your participation in this study is voluntary, it is very important. Please be assured that the information you provide will be held in strictest confidence.

If you have any questions about the survey, please call Elizabeth Davis or me at (617) 492-7100. Neal Allen, at the Alabama Department of Human Resources, will also answer any questions you have about the study. He can be reached at (205) 242-1950.

Sincerely,

Alan Werner, Project Director  
Evaluation of the Alabama ASSETS Program

Public reporting burden for this collection of information is estimated to average thirty minutes per respondent, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments concerning this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Information Management, Department of Agriculture, 3101 Park Center Drive, Alexandria, VA 22302 and to the Office of Management and Budget, Paperwork Reduction Project (1205-\_\_\_\_), Washington, DC 20503.